1545. By Mr. LINDSAY: Petition of Western Union Cable Employees Association, New York City, protesting against proposed merger of communication companies; to the Committee on Interstate and Foreign Commerce.

1546. Also, memorial of National Association of Letter Carriers, urging repeal of the salary reduction as authorized by the so-called "Economy Act"; to the Committee on Appropriations.

1547. By Mr. PARKER: Petition of Mayor Thomas Gamble and other citizens of Savannah, Ga., who are not veterans of the Spanish War, asking the restoration of benefits to Spanish War veterans, and further asking that they have the same benefits as the Federal veterans of the war between the States; to the Committee on Appropriations.

1548. By Mr. AYERS of Montana: Petition of Harry Armstrong of Armington, Mont., praying for agricultural relief upon a basis of prices for farm and ranch products whereby agriculture may relieve itself without drawing on the Public Treasury; to the Committee on Agriculture.

1549. By Mr. RICH: Petition of members of the Kane (Pa.) Parent-Teachers Association, favoring the passage of Senate bill 1944; to the Committee on Agriculture.

1550. By Mr. SHANNON: Petition of Greater Boston Restaurant Association, 16 Waterford Street, Boston, Mass., with reference to the elimination of Government restaurants located on Federal property; to the Committee on Appropriations.

1551. By the SPEAKER: Petition of the Common Council of the City of Milwaukee, Wis., regarding the creation of a Federal commission; to the Committee on Ways and Means.

SENATE

THURSDAY, JANUARY 11, 1934

The Chaplain, Rev. ZeBarney T. Phillips, D.D., offered the following prayer:

O Thou, to whose all-searching sight the darkness shineth as the light, bless us with the vision of Thyself, without which man is no longer man; for all that thought can grasp or eye perceive is but a shadow of Thy power, which hath created and upholdest all.

In the joy of Thy strength may we work without haste, without sloth, and, being faithful to the past, to eternal truth and beauty, may we, as watchers for the dawn, look for the unseen day when the city of God shall rise in splendor in our midst. And since before Thee all our hearts are bare, and not even the shadow of a thought can rise without Thy knowledge, do Thou guard each tempted heart and keep it pure from each unholy wish, that we may treasure only thoughts of Thee to guide us in our work through all the cloudy days that lie ahead.

Accept our prayer, the incense of the soul, and hallow it with Thy perfecting grace; through Jesus Christ our Lord. Amen.

THE JOURNAL

The Chief Clerk proceeded to read the Journal of the proceedings of yesterday, when, on request of Mr. ROBINSON of Arkansas and by unanimous consent, the further reading was dispensed with and the Journal was approved.

TAXATION OF INTOXICATING LIQUORS

Mr. HARRISON. I desire to enter a motion to reconsider the votes by which the bill H.R. 6131, the so-called "liquor tax bill", was ordered to a third reading and passed on yesterday. I desire to say that as soon as morning business shall have been concluded I will make the motion.

The VICE PRESIDENT. The motion will be entered.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a letter in the nature of a petition from Frank J. Pexa, of Lonsdale, Minn., praying for the passage of the so-called "Frazier bill", providing for the refinancing of farm mortgages, which was referred to the Committee on Agriculture and Forestry.

Mr. WALSH presented a petition of 100 citizens of the State of Massachusetts, praying for the passage of the so-called "Hatfield-Keller railroad retirement bill", being the bill (S. 817) to provide for a retirement system for railroad and transportation employees, to provide unemployment relief, and for other purposes, which was referred to the Committee on Interstate Commerce.

Mr. TYDINGS presented a memorial numerously signed by sundry citizens of Baltimore, Md., remonstrating against the adoption of the so-called "Prince plan" for the consolidation of the Baltimore & Ohio Railroad Co. with the Pennsylvania Railroad Co. as tending to lessen employment, which was referred to the Committee on Interstate Commerce.

Mr. ROBINSON of Arkansas presented the following memorial of the House of Representatives of the Legislature of the State of Arkansas, which was referred to the Committee on Education and Labor:

House Memorial 1

To the honorable Senators and Representatives from Arkansas in the United States Congress assembled:

We, your memorialists, the House of Representatives of the State of Arkansas, being assembled in an extraordinary session of the forty-ninth general assembly, most respectfully memorialize and petition you as follows:

Whereas the United States Government is spending vast sums of money to provide employment; and

Whereas it behooves all of us in working for the Nation's recovery to work for the greatest good for the greatest number; and

Whereas by reason of the regulations under which money is being spent by the United States Government for the purpose of relieving the unemployment situation many persons are furnished steady employment while others receive none at all; and

Whereas this situation leads not only to the necessity for direct relief but to a condition of unrest among the people so affected:

Therefore we, the members of the House of Representatives of the State of Arkansas, respectfully petition you, collectively and individually, to use your influence to have the regulations aforesaid changed in such manner as will more equitably distribute the employment provided for; be it

Resolved, That the chief clerk of this body be, and he is hereby, directed to forward at once copies of this memorial to each Member of the National Congress from Arkansas at Washington, D.C.

STATE OF ARKANSAS,
County of Pulaski:

I, James R. Campbell, chief clerk of the House of Representatives of the State of Arkansas, hereby certify that the foregoing House Memorial 1 was duly adopted by the house of representatives at the extraordinary session of 1934 and is a true and compared copy of same.

JAMES R. CAMPBELL,
Chief Clerk.

Mr. CAREY presented the following joint memorials of the Legislature of the State of Wyoming, which were referred to the Committee on Finance:

THE STATE OF WYOMING,
OFFICE OF THE SECRETARY OF STATE.

UNITED STATES OF AMERICA,
State of Wyoming, ss:

I, A. M. Clark, secretary of state of the State of Wyoming, do hereby certify that the annexed is a full, true, and correct copy of enrolled Joint Memorial No. 1, house of representatives of the special session of the Twenty-second Legislature of the State of Wyoming, being original house Joint Memorial No. 1, approved by the Governor on December 16, 1933, at 4:55 p.m.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Wyoming.

Done at Cheyenne, the capital, this 3d day of January, A.D. 1934.

[SEAL]

A. M. CLARK,
Secretary of State.
By C. J. ROGERS,
Deputy.

Enrolled Joint Memorial 1, House of Representatives, Twenty-second Legislature of the State of Wyoming, memorializing the President and the Congress of the United States to enact legislation prohibiting or curtailing the importation of canned beef

Be it resolved by the House of Representatives of the special session of the Twenty-second Legislature of the State of Wyoming (the senate concurring), That the Congress of the United States be memorialized as follows: That—

Whereas there is at this time an average monthly importation of South American canned beef to the amount of over 4,000,000 pounds, and this canned beef is sold throughout the United States to the detriment of the market for American-grown beef; and

Whereas the beef industry, Wyoming's largest industry, is suffering from this competition; and

Whereas the price of beef cattle produced in Wyoming is below the cost of production: Now, therefore, be it hereby

Resolved by the House of Representatives of the special session of the Twenty-second Legislature of the State of Wyoming (the senate concurring), That we hereby memorialize the President and the Congress of the United States of America to pass an act prohibiting further importation of canned beef; be it further

Resolved, That certified copies of this concurred memorial be forwarded to the Wyoming Senators and the Wyoming Representative in the Congress of the United States of America.

OSCAR BECK,
President of the Senate.
WM. M. JACK,
Speaker of the House.

Approved 4:55 p.m. December 16, 1933.

LESLIE A. MILLER, *Governor.*

THE STATE OF WYOMING,
OFFICE OF THE SECRETARY OF STATE.

UNITED STATES OF AMERICA,
State of Wyoming, ss:

I, A. M. Clark, secretary of state of the State of Wyoming, do hereby certify that the annexed is a full, true, and correct copy of Enrolled Joint Resolution No. 1, House of Representatives of the Special Session of the Twenty-second Legislature of the State of Wyoming, being original House Joint Resolution No. 4, approved by the Governor on December 26, 1933, at 4:40 p.m. In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Wyoming.

Done at Cheyenne, the capital, this 3d day of January, A.D. 1934.

[SEAL]

A. M. CLARK,
Secretary of State.
By C. J. ROGERS,
Deputy.

Enrolled Joint Resolution No. 1, memorializing Federal Emergency Administration of Public Works to allocate funds for irrigation projects in the State of Wyoming, in addition to the funds allocated to the Casper-Alcova project

Whereas there is now pending from Wyoming before the Federal Emergency Administration of Public Works an application of the French Creek Irrigation Co., of Johnson County, for the sum of $100,000 for the construction of a reservoir and ditch; of the Greybull Valley irrigation district, of Big Horn County, for the sum of $968,000 for the construction of a reservoir and dam; of the Bear River Water Users' Association of Uinta County the sum of $433,800 for the construction of a reservoir; of the Rock Creek, Piney Reservoir & Ditch Co., of Johnson County, the sum of $60,000 for construction of a reservoir; and of Clear Creek irrigation district, of Johnson County, for the sum of $106,600 for construction of a reservoir; and for the construction of the Bull Lake Reservoir in Fremont County the sum of $400,000; and

Whereas these projects have been approved by the State advisory board and State administration for allocation and loan; and

Whereas a formal application has been made to the State advisory board and State administration on the part of the North Piney irrigation district in Sublette County for the sum of $80,000; by the settlers' irrigation district of Lincoln County for the sum of $100,000; and for the Owl Creek Reservoir, of Hot Springs County, for the sum of $360,000; and

Whereas there are seven additional applications to the State advisory board and State administration in course of preparation asking allocations for irrigation purposes in the total amount of $555,000; and

Whereas these applications are in almost every instance for the purpose of securing a supplemental supply of water for lands now under irrigation by the impounding of flood waters; and

Whereas the Federal Emergency Administration of Public Works has in the States of Washington, Oregon, California, Arizona, Montana, and other States allocated funds for public works in addition to those allocated for the major project therein; and

Whereas there has been allocated by the Federal Emergency Administration of Public Works $22,700,000 for the construction of the Casper-Alcova project in Wyoming; and

Whereas the funds asked to be allocated for projects in Wyoming other than those allocated for the Casper-Alcova project are less than $2,500,000; and

Whereas there has been allocated in the State of Washington, in addition to $63,000,000 for the Grand Coulee project, an additional $1,000,000 for other work; in the State of Oregon, in addition to $20,500,000 for the Bonneville Dam, over $7,500,000 for other projects; in the States of California and Oregon, in addition to $38,000,000 for the Boulder Dam, over $48,000,000 for other projects; in the State of Montana, in addition to $15,500,000 for the Fort Peck Dam, over $1,000,000 for other purposes; in the State of Tennessee, in addition to $50,000,000 for one project, a sum of over $2,000,000 for other purposes; while in the State of Wyoming, in addition to $22,500,000 for the Casper-Alcova project, there has been allocated to Wyoming only $20,000 for other purposes: Therefore be it

Resolved by the House of Representatives of the special session of the Twenty-second Legislature of Wyoming (the senate concurring), That we impress upon the Federal Emergency Administration of Public Works the great necessity of funds for these projects and the urgent need of a sufficient supply of water to properly irrigate the lands within these projects, which can only be secured by the impounding of the flood waters of our streams, that we call upon the State officials and State advisory board and State administration to use every effort on their part to secure the allocation of additional funds sufficient to provide for these projects; and be it further

Resolved, That a copy of these resolutions be mailed to His Excellency, the President of the United States, to the Federal Emergency Administration of Public Works, to the State advisory board and State administration, and to each of our Representatives in the National Congress.

OSCAR BECK,
President of the Senate.
WM. M. JACK,
Speaker of the House.

Approved 4:40 p.m. December 26, 1933.

LESLIE A. MILLER, *Governor.*

Mr. LA FOLLETTE presented the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Agriculture and Forestry:

STATE OF WISCONSIN.

Joint resolution relating to relief for the dairy industry

Whereas over $350,000,000 will be spent in corn and hog bonuses and approximately the same amount in wheat and cotton bonuses; and

Whereas Wisconsin will receive but $7,000,000 of this amount; and

Whereas there appears to be no relief in sight for the dairy industry; and

Whereas, if the dairy industry was to receive treatment on the same basis as the wheat, cotton, and corn industries, Wisconsin would be receiving approximately $65,000,000 instead of $7,000,000; and

Whereas the dairy industry is in a serious condition: Now, therefore, be it

Resolved by the assembly (the senate concurring), That the Department of Agriculture, or its Agricultural Adjustment Administration, take vigorous measures to initiate a program along the following lines:

1. A production-control program that will bring dairy production somewhere nearly into line with effective consumer demand.

2. In connection with this basic program, a supplementary program that will tend to take existing surpluses of dairy products off the market and increase the price of dairy products to whatever extent effective consumer demand will permit.

3. A subsidiary program to check the imports of so-called "manufactured" cream, vegetable oils, and casein, and an adequate internal tax on all butter substitutes.

Resolved further, That suitable copies of this resolution be forwarded to Hon. Henry Wallace, Secretary of Agriculture, Washington, D.C., to both Houses of the Congress of the United States, and to each Wisconsin Member thereof.

THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.
C. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.

Mr. LA FOLLETTE also presented the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Immigration:

STATE OF WISCONSIN.

Joint resolution memorializing Congress to temporarily reduce or cancel the fees payable under the naturalization laws

Whereas many persons in Wisconsin, as well as in other States, who desire to become citizens of the United States, are unable to take the necessary steps for naturalization at this time because of inability to pay the fees and expenses prescribed by the naturalization laws; and

Whereas there are a large number of cases where declarations of intention have already been filed and the prescribed periods of validity for filing petitions for citizenship will have expired before recovery from unemployment, and many cases of persons unable to pay the required fees and expenses for filing a declaration of intention; and

Whereas the policy of the Federal and State Governments generally to relax, modify, or suspend normal requirements in favor of persons handicapped in the present economic emergency should be applied at least temporarily to those seeking naturalization: Now, therefore, be it

Resolved by the assembly (the senate concurring), That this legislature respectfully memoralizes the Congress of the United States to amend the naturalization laws by reducing or canceling all naturalization fees and expenses until July 1, 1935, so that persons who are otherwise qualified but who, under the present economic conditions, are unable to pay the prescribed fees and expenses, may proceed with naturalization; also to so extend any prescribed periods of validity which have expired since July 1, 1933, that no naturalization rights will be lost or delayed since said date; be it further

Resolved, That suitably attested copies of this resolution be transmitted to the President of the United States and to each Member of Congress from this State.

THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.
C. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.

Mr. LA FOLLETTE also presented the following joint resolution of the Legislature of the State of Wisconsin, which was ordered to lie on the table:

STATE OF WISCONSIN.

Joint resolution memorializing the Congress of the United States to recognize the Federal Government's obligation to share equitably the proceeds of liquor taxes with the States, counties, and cities, and to prevent intergovernmental competition in the field of liquor taxation through the adoption of the recommendations presented by the Interstate Commission on Conflicting Taxation with the authority of the interstate assembly.

Whereas there is grave danger that the anticipated benefits of repeal will be destroyed by unrestrained and competitive taxation of alcoholic beverages by the Federal Government and by the governments of the States, counties, and cities; and

Whereas the imposition by the Federal Government of taxes or other imposts on alcoholic beverages without regard to similar burdens imposed by the States, counties, and cities may result in a combined load of taxation so heavy as to encourage illicit traffic in these beverages; and

Whereas before Federal prohibition the States, counties, and cities depended on liquor taxes and license fees for a substantial proportion of their tax revenues, thus lightening the load of taxation on real property; and

Whereas if liquor taxes are again to carry a reasonable share of the State and local tax burden, it is essential that the taxation of alcoholic beverages by the Federal Government be not excessive; and

Whereas there is grave danger that unless immediate action is taken by the States, counties, and cities in establishing a line of communication with the Federal Government through such bodies as the interstate assembly and the Interstate Commission on Conflicting Taxation, the opportunity to secure a fair division of liquor tax revenues will be lost: Now, therefore, be it

Resolved by the assembly (the senate concurring), That Congress be urged to adopt the recommendations formulated by the Interstate Commission on Conflicting Taxation at a meeting in Washington, D.C., November 10–11, 1933, and ratified by the interstate assembly, which provide that, of the combined gross revenues from the liquor traffic derived by the Federal and State Governments from all sources, one half should inure to the benefit of the States and their localities and the remaining half should be retained by the Federal Government; be it further

Resolved, That the President of the United States be respectfully urged and requested to approve any bill embodying the principles of the above recommendations in order that the provisions thereof may become effective at an early date; be it further

Resolved, That a properly attested copy of this resolution be sent to the President of the United States, the President of the Senate, the Speaker of the House of Representatives, and to each of the Members of the Congress from Wisconsin.

THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.
C. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.

Mr. SHIPSTEAD presented the following resolution of the House of Representatives of the Legislature of the State of Minnesota, which was ordered to lie on the table:

Whereas it is generally believed by the people of Minnesota that the early development of the Great Lakes-St. Lawrence deep waterways would be of incalculable benefit to this State and the entire Northwest; and

Whereas this much desired improvement is being retarded, if not blocked, by the power interests of New York State: Therefore be it

Resolved by the House of Representatives of the State of Minnesota, That we call upon our representatives in the Congress to join with all proper forces in removing obstructions to the early completion of the Great Lakes-St. Lawrence deep waterways; be it further

Resolved, That copies of this resolution be forwarded to the entire delegation of Minnesota representatives in the Congress.

CHAS. MUNN,
Speaker of the House of Representatives.

Passed the house of representatives the 6th day of January 1934.

HARRY L. ALLEN,
Chief Clerk, House of Representatives.

Mr. SHIPSTEAD also presented the following resolution of the House of Representatives of the Legislature of the State of Minnesota, which was referred to the Committee on the Judiciary:

Whereas Tom Mooney and Warren K. Billings have been incarcerated in the prisons of California for 17 years, having been framed and convicted on perjured evidence; and

Whereas the working class in the United States and throughout the world have continuously demonstrated their unshaken faith in the innocence of these men, and their determination to continue the militant mass struggle to secure the immediate and unconditional release of Mooney and Billings; and

Whereas numerous religious institutions and liberal organizations have also demanded the freedom of Mooney and Billings on the basis of their proven innocence; and

Whereas Judge Franklin Griffen, foremost jurist in the State of California, and trial judge in Mooney's case, has declared the following: "The Mooney case is one of the dirtiest jobs ever put over, and I resent that my court was used for such a contemptible piece of work. There is no evidence against him; there is not a serious suggestion that any exist; Mooney is innocent and ought to be pardoned."

The captain of police assigned to investigate the "Preparedness day bomb murders" has stated that Mooney and Billings were not given a fair and impartial trial and that Mooney and Billings should be pardoned.

The 10 living Mooney jurors plead for his pardon. The chief prosecutor of Mooney says that Mooney should be released. The attorney general of California has on two occasions requested a new trial for Mooney. The captain of detectives that helped convict him has stated that Mooney did not have a fair trial and that sanctity of the courts has been violated.

The five chief witnesses against Mooney have either confessed to or have proven to be perjurers.

A commission appointed by President Wilson raised the doubts about Mooney's guilt. In 1932 a commission appointed by President Hoover branded the case as an example of miscarriage of justice. On May 23, 1933, Mooney was again brought on trial and acquitted, yet he was sent back to prison in spite of his innocence.

Mooney's and Billings' innocence have long ago been established: Be it therefore

Resolved, That the House of Representatives of the Legislature of the State of Minnesota urge Governor Rolph to grant an immediate and unconditional release to Mooney and Billings; and be it further

Resolved, That we urge the President of the United States that he instruct the Attorney General to intervene before the United States Supreme Court for immediate release of Mooney and Billings at the hearing of the Mooney case before said Supreme Court set for January 3, 1934; be it further

Resolved, That a copy of this resolution be transmitted to the President of the United States, to the United States Senators from Minnesota and United States Congressmen from Minnesota, and also to Governor Rolph of the State of California.

CHAS. MUNN,
Speaker of the House of Representatives.

Passed the house of representatives the 2d day of January 1934.

HARRY L. ALLEN,
Chief Clerk House of Representatives.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY PROJECT—MEMORIALS

Mr. COOLIDGE. Mr. President, I present certain letters, a telegram, and memorials in regard to the Great Lakes-St. Lawrence waterway project and ask that they may be printed in the RECORD and lie on the table.

There being no objection, the letters, telegram, and memorials were ordered to lie on the table and to be printed in the RECORD, as follows:

SPRINGFIELD CHAMBER OF COMMERCE,
Springfield, Mass., January 3, 1934.

Hon. MARCUS A. COOLIDGE,
United States Senate, Washington, D.C.

DEAR SENATOR COOLIDGE: Since it appears that the question of ratification of the Great Lakes-St. Lawrence Deep Waterway Treaty may be before the Senate at an early date, the liberty is taken of bringing to your attention the vote of this chamber in opposition to such ratification recorded November 7, 1932, and forwarded to you shortly thereafter.

Very truly yours,

F. J. HILLMAN,
Executive Vice President.

BOSTON, MASS., *January 8, 1934.*

Hon. MARCUS A. COOLIDGE,
Senate Office Building:

The Boston Grain and Flour Exchange opposes the ratification of the Great Lakes-St. Lawrence Treaty now pending before the United States Senate and urges its rejection by the Senate.

PAUL T. ROTHWELL, *President.*

THE PHILADELPHIA CONFERENCE—OPPOSE ST. LAWRENCE WATERWAY TREATY—URGENT, ACT IMMEDIATELY—ACTION OF THE PHILADELPHIA CONFERENCE, DECEMBER 18, 1933

THIS CANADIAN MEASURE WILL DISCOURAGE AND DEFEAT ESSENTIAL PROJECTS TO PROMOTE COMMERCE AND EMPLOYMENT WITHIN THE UNITED STATES

The Philadelphia conference of the Atlantic Deeper Waterways Association, held at the Bellevue-Stratford Hotel, Philadelphia, Pa., December 18, unanimously adopted resolutions opposing ratification by the United States Senate of the Great Lakes-St. Lawrence Waterway Treaty and urged the allotment of Civil Works Administration funds to such waterway projects as have been recommended by the association and have received final approval of the Chief of Engineers and the Secretary of War.

More than 500 delegates from the States along the Atlantic seaboard, and from other States, attended the conference, which was addressed by United States Senators, Members of Congress, mayors, representatives of cities and towns, commercial and trade organizations, and others.

The substance of the resolutions adopted by the conference is as follows:

"*Resolved*, That we oppose the ratification of the Great Lakes-St. Lawrence Deep Waterway Treaty now pending before the United States Senate and urge its rejection by the Senate; and be it further

"*Resolved*, That before any further consideration be given to the treaty that an economic survey be made by a governmental agency of the projects proposed therein.

* * * * * * *

"*Resolved*, That we reaffirm the several declarations and resolutions adopted at the last annual meeting of this association held in October last in the city of Baltimore; and be it further

"*Resolved*, That such projects as have been recommended by this association and have received the final approval of the Chief of Engineers and Secretary of War should receive an allotment of funds from the Public Works Administration, and we recommend same to the favorable consideration of the Administrator of Public Works."

Further, the conference requested the president of the Atlantic Deeper Waterways Association to appoint forthwith a special committee to "vigorously and continuously coordinate and promote national opposition" to the Great Lakes-St. Lawrence Deep Waterway Treaty, to use "every legitimate means at its disposal to give practical effect to this opposition", to cooperate with others opposing this treaty, and to demand the expenditure of United States money on United States projects. The undersigned committee was named.

Congress meets on January 3, 1934. The treaty will be subject to action by the Senate immediately thereafter.

Write your Senator and ask him to vote against ratification. Urge your friends to do likewise.

Point out the advantage of giving employment to citizens of the United States on the projects within your State which this association has endorsed and which have the approval of the War Department. Tell them that the money you pay in taxes should be spent at home and not for the benefit of foreign shippers and foreign labor.

Cooperate, whenever possible, with the members of the undersigned committee in getting the facts before the public.

The time is short. Do it now.

Frank S. Davis, Boston, Mass., chairman; Peter G. Ten Eyck, Albany, N.Y.; Capt. John P. Magill, New York, N.Y.; G. H. Pouder, Baltimore, Md.; J. Fulmer Bright, Richmond, Va.; Walter H. Blair, Wilmington, N.C.; Harry G. Barbee, Norfolk, Va.; John H. Small, Washington, D. C.; Frederick W. Donnelly, Trenton, N.J.; J. Hampton Moore, Philadelphia (ex officio), special committee.

COMMITTEE HEADQUARTERS,
1405 Widener Building, Philadelphia, Pa.,
December 28, 1933.

READ AND ACT AT ONCE!—RESOLUTIONS OPPOSING THE ST. LAWRENCE WATERWAY TREATY—PHILADELPHIA CONFERENCE ST. LAWRENCE WATERWAY TREATY—NEW JERSEY SHIP CANAL AND ATLANTIC INTRACOASTAL WATERWAY, DECEMBER 18, 1933

GREAT LAKES-ST. LAWRENCE WATERWAY TREATY

Whereas we, more than 500 delegates, representing the New England, Middle Atlantic, Southern, and Gulf States, the population of which represents two thirds of the entire population of the United States and more than 80 percent of its taxpayers, assembled in conference in the Bellevue-Stratford Hotel in Philadelphia, Pa., on Monday, December 18, 1933, including National and State legislators, mayors, industrial and trade officials, commercial, civic, and service organizations, after due consideration and discussion, strenuously oppose the menace of the proposed Great Lakes-St. Lawrence Deep Waterway Treaty now pending for ratification before the United States Senate, and we oppose as economic suicide the said ratification on patriotic and economic grounds, including the following:

It proposes the construction of a new deep waterway route, 90 percent of which lies in Canada, and construction of hydroelectric power plants, 80 percent of which will reside in and belong to Canada; to internationalize Lake Michigan, now entirely an American lake, and to surrender our sovereignty over it; to have the United States advance, in the first instance, all the costs, amounting to possibly more than a billion dollars; to allow Canada to deduct from her share of the expense the amount of her expenditures for waterway improvements heretofore made in Canada and denies to the United States similar credits for practically all moneys expended in American territory; provides that all improvements made in Canada (80 to 90 percent) shall be made with Canadian labor, Canadian materials, and by Canadian engineers; favors the position of the Canadian wheat exporter in his keen competition with the American wheat farmer who is already handicapped by British preferential tariffs; provides the means to divert the Great-Lakes traffic which now finds its way to the Atlantic and the Gulf through American waterways and over American railroads to Canadian ports by means of Canadian transportation facilities, all to the injury and destruction of our own rail and waterway transportation facilities and to the injury also of American investors in our transportation enterprises and terminals: Therefore be it

Resolved, That we oppose the ratification of the Great Lakes-St. Lawrence Deep Waterway Treaty now pending before the United States Senate and urge its rejection by the Senate; and be it further

Resolved, That before any further consideration be given to the treaty that an economic survey be made by a governmental agency of the projects proposed therein.

If you oppose this un-American treaty, write your Senator immediately.

Respectfully,

Frank S. Davis, Boston, Mass., chairman; Peter G. Ten Eyck, Albany, N.Y.; Capt. John P. Magill, New York, N.Y.; G. H. Pouder, Baltimore, Md.; J. Fulmer Bright, Richmond, Va.; Walter H. Blair, Wilmington, N.C.; Harry G. Barbee, Norfolk, Va.; John H. Small, Washington, D.C.; Frederick W. Donnelly, Trenton, N.J.; J. Hampton Moore, Philadelphia, Pa. (ex officio), special committee.

COMMITTEE HEADQUARTERS,
1405 Widener Building, Philadelphia, Pa.

ATLANTIC DEEPER WATERWAYS ASSOCIATION,
Philadelphia, January 2, 1934.

Hon. MARCUS A. COOLIDGE,
United States Senate, Washington, D.C.

MY DEAR SENATOR: I respectfully direct your attention to the enclosed circular letter, also copy of a resolution adopted at the conference held in Philadelphia on December 18, 1933, in opposition to the ratification of the Great Lakes-St. Lawrence Deep Waterway Treaty.

This association is strenuously opposed to ratification at this time and believes that the funds to be spent by the United States on this project would serve a more useful purpose if used upon projects wholly within the United States.

We invite your careful consideration of the matter and respectfully urge you to vote against ratification, since, among other things, the alleged benefits to be derived do not appear to justify the enormous cost.

With best wishes, I am, very truly yours,

J. H. MOORE, *President.*

BUREAU OF TRANSPORTATION AND PUBLIC SERVICE OF THE NEW BEDFORD BOARD OF COMMERCE,
New Bedford, Mass., January 3, 1934.

Re: Great Lakes-St. Lawrence Waterway Treaty.

Hon. MARCUS A. COOLIDGE,
United States Senator, Senate Office Building,
Washington, D.C.

MY DEAR SENATOR: One of the most important matters which will come before the United States Senate at the session of Congress opening today will be that of the ratification of the Great Lakes-St. Lawrence Waterway Treaty. The approval of the United States Senate to this treaty with Canada will result in a long step being taken forward toward the construction of a most expensive international waterway, the actual need of which is still most uncertain. Of very vital importance to our country is the possibility of great harm being done to New England and other sections of the United States by the construction of this international waterway.

In a circular covering the resolutions opposing the Great Lakes-St. Lawrence waterway treaty, recently issued by a special committee of the Atlantic Deeper Waterways Association, it is stated that:

"It proposes the construction of a new deep waterway route, 90 percent of which lies in Canada, and construction of hydroelectric power plants, 80 percent of which will reside in and belong to Canada; to internationalize Lake Michigan, now entirely an American lake, and to surrender our sovereignty over it; to have the United States advance, in the first instance, all the costs, amounting to possibly more than a billion dollars; to allow Canada to deduct from her share of the expense the amount of her expenditures for waterway improvements heretofore made in Canada, and denies to the United States similar credits for practically all moneys expended in American territory; provides that all improvements made in Canada—80 to 90 percent—shall be made with Canadian labor, Canadian materials, and by Canadian engineers; favors the position of the Canadian wheat exporter in his keen competition with the American wheat farmer who is already handicapped by British preferential tariffs; provides the means to divert the Great Lakes traffic which now finds its way to the Atlantic and the Gulf through American waterways and over American railroads to Canadian ports by means of Canadian trans-

portation facilities; all to the injury and destruction of our own rail and waterway transportation facilities and to the injury, also, of American investors in our transportation enterprises and terminals."

If this portion of this statement of this association gives a true analysis of the facts, then it is time for our Representatives in Congress to most strenuously oppose the further expenditure of public funds in foreign countries and for foreign needs. It is about time that the United States stop being used as a lamb for fleecing purposes by foreign countries under the urge of ill-advised and untruthful propaganda disseminated throughout our country by those having more than a passing interest in such practices.

This letter is written in behalf of the New Bedford Board of Commerce, an organization representing the civic, business, and industrial interests of the city of New Bedford, and the New England Traffic League, an organization of transportation men representing approximately 200 industries and commercial organizations of New England.

Very respectfully yours,

A. H. FERGUSON,
Manager Bureau of Transportation and Public Service; Chairman Executive Committee the New England Traffic League.

BOSTON, *January 9, 1934.*

Hon. MARCUS A. COOLIDGE,
Senate, Washington, D.C.

MY DEAR SENATOR: I would like to call your attention to the proposed ratification of the St. Lawrence River Treaty, which I assume will come before you during this session of Congress. We are very much opposed to the ratification of this treaty until a proper investigation is made on this whole subject, and we trust that you will see that the interests of New England are protected by opposing this treaty.

Very truly yours,

MOTOR TRUCK OWNERS SERVICE BUREAU,
DAY BAKER, *Legislative Counsel.*

LAWRENCE, MASS., *January 8, 1934.*

Hon. MARCUS A. COOLIDGE,
United States Senate, Washington, D.C.

DEAR SENATOR COOLIDGE: The directors of the Lawrence Chamber of Commerce unanimously voted opposition to the St. Lawrence Deep Waterway Treaty, and also that notice of this action be sent to our two United States Senators.

From information which the board of directors have at hand, the opposition to the treaty was based on the following:

1. The treaty should be given no further consideration until an official economic survey has been made by a competent, unbiased United States commission and until it can be proved beyond doubt that there will be an adequate return on the gigantic investment that would be required.

2. Ninety percent of the St. Lawrence River lies wholly within Canada.

3. Ninety percent of the grain that might be exported through the St. Lawrence would be Canadian grain.

4. Ninety-eight percent of the ocean-going ships that would transport grain would be foreign bottoms.

5. Eighty percent of the waterpower capable of development would be Canadian; in order words, four of the five million horsepower which could be harnessed would be Canadian.

6. Sixty-six and two thirds percent of the new money invested in this project would be United States money.

7. Therefore the project is 80 percent to 90 percent Canadian, while 66⅔ percent of the new money would be paid by the United States.

8. This proposed waterway could only be operated 7 months of the year, at best.

9. Expert engineers and analysts of international reputation certify that the cost of this project would be more than double the estimates.

10. The treaty would make the United States surrender Lake Michigan and make it an international lake.

11. The treaty in article VIII does not provide sufficient water diversion for the Chicago Drainage Canal or for the Mississippi River channel.

12. The western farmer has been told he would be saved 8 to 10 cents a bushel on grain transportation, while the present rate is only about 4½ cents from Duluth and Fort William to Montreal.

13. The total cost of the power developed with the construction of trunk-line transmission lines, rights-of-way, etc., would be so great that the power could not compete with established power companies, when the taxes the citizens will have to pay on the development are taken into consideration.

14. The United States Department of Commerce, in a purported economic survey dated 1926, states in its report that no attempt has been made to determine the amount of traffic which would actually move over this proposed canal or the total amount of savings that might result.

15. There are scores of other unanswerable facts which have been presented to the United States Senate as to why the treaty should not be ratified, which prove that this uneconomic, impractical proposition should not be allowed to load this gigantic financial burden on the taxpayers, particularly at a time like this, and that the project would not help unemployment in this country, as the majority of those engaged on the work would, under the treaty, be Canadian engineers and labor, and a large percentage of the work would be done by machinery.

16. This project would, in no way, give immediate relief to the present-day unemployment, which the same money spent elsewhere would do.

We believe in United States money for United States projects wholly within the United States, and to be used for the employment of United States labor.

It appears to the board of directors from the foregoing that the proposed St. Lawrence Treaty is undoubtedly favorable to Canada and that before final action is taken on this treaty, thorough study and investigation should be made before committing this Nation to a treaty which does not appear to be equitable. In accordance with this sentiment, the directors of the Lawrence Chamber of Commerce earnestly request you to oppose the ratification of the proposed St. Lawrence Treaty.

Very truly yours,

LAWRENCE CHAMBER OF COMMERCE,
JOHN J. O'ROURKE, *Secretary.*

JANUARY 9, 1934.

Hon. MARCUS A. COOLIDGE,
United States Senate, Washington, D.C.

DEAR MR. COOLIDGE: Among the agenda for the next year proposed to some of the New England commercial bodies is the following:

"Opposition to ratification of St. Lawrence waterway as an enterprise adversely affecting New England."

I beg leave to question the correctness of this assumption.

The interests of New England are not opposed to the interests of the country at large, nor can New England escape the repercussion of any great and lasting injury suffered by any region of our country, much less can it escape the result of any injury suffered by the region to which transportation is furnished by the Great Lakes.

That region with its numerous cities, running from Lake Ontario to the heads of Lakes Michigan and Superior, has a natural outlet to the ocean, ending with the St. Lawrence Valley. All but a short section of this outlet has already been improved for navigation by large ocean-going vessels. The present is a time when this waterway can be completed to advantage owing to the need of starting public works for furnishing employment.

In addition to its great agricultural interest, that region is especially adapted to heavy industries. It therefore has especial need for the cheap water transportation which completion of the St. Lawrence Valley improvement would afford.

These industries can be multiplied and greatly developed by means of such facilities.

The population that can be so supported is naturally tributary to the textile and other industries on which New England depends. The two regions supplement each other.

The prosperity of that region under the same tariff will mean prosperity to New England in countless ways, through demand for New England products. Injury to that region will work corresponding injury to New England.

Even from the most narrow and sordid point of view, New England cannot afford to throttle the natural outlet of this great region to the sea by asking its Senators to take advantage of the two-thirds vote required for treaty ratification on which completion of the waterway depends.

There are, however, additional reasons why this so-called "interest" in stopping this outlet should not be invoked by those who may think that for the immediate present there may be something in it.

What kind of a country are we going to have if the vital and lasting advantages of one region are to be sacrificed to the small advantage of another? Are we to be a nation of people helping and standing by one another, or a collection of parochial-minded sections jealously competing in mutual strangulation?

What would New England have thought if the lake region and the upper Mississippi Valley had opposed the Panama Canal, on the ground that it would give the Atlantic seacoast an advantage over them in commerce with the Pacific coast, as it has?

What kind of a standing will New England have when some of its own interests are at stake in Washington, as they frequently are, in tariff and other matters, if its commercial bodies and its Representatives have inaugurated such a narrow and selfish policy of mutual injury?

Are we to expect the utmost consideration from those to whom we have a lasting and gratuitous injury at a time when public works at no profit at all are being undertaken for the mere employment of the idle?

From no point of view, either broad or narrow, selfish or unselfish, is it to the interest of New England to shut off the basin of the Great Lakes from access to the sea?

Very truly yours,

R. M. BRADLEY.

RESOLUTIONS OF THE NATIONAL FARMERS' UNION

Mr. CAPPER. Mr. President, I ask unanimous consent to have printed in the RECORD a copy of the resolutions adopted by the National Farmers' Union at its annual convention, held in Omaha, Nebr., November 20, 21, and 22, 1933.

The Farmers' Union is one of our great national farm organizations, and its program is worthy of the careful attention of every Member of the Senate. For myself, I want to say that I am in entire sympathy with the purposes of the Farmers' Union, and in a general way find myself in accord with nearly all of the program.

I would especially urge Senators to notice the strong endorsement given the so-called "Frazier bill" providing the refinancing of farm mortgages at a rate of 3-percent interest.

Another part of their program calls for the repeal of the Federal tax of 1 cent a gallon on gasoline. Farmers are among the largest purchasers of gasoline, and are heavily hit by this tax, which in my judgment should be allowed to the States for highway purposes only. I have introduced a bill to repeal this tax, and hope to see it passed at this session.

The Farmers' Union also calls upon Congress, and rightly, to "pass such legislation as would, absolutely, prohibit gambling in farm products by boards of trade, cotton exchanges, and other speculators."

I most heartily endorse that plank in their platform of needed legislation, and have introduced a bill to accomplish that purpose.

Mr. President, I send to the desk the resolutions adopted by the National Farmers' Union, and ask that they be printed in the RECORD as a part of my remarks, and appropriately referred.

There being no objection, the resolutions were referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

NATIONAL FARMERS' UNION PROGRAM, ADOPTED UNANIMOUSLY IN ANNUAL CONVENTION HELD IN OMAHA, NEBR., NOVEMBER 20, 21, 22, 1933

1. The Frazier bill, providing for the Government's refinancing farmers at a rate of 1½-percent interest.

2. The Swank-Thomas bill, providing for Government regulation of the marketing of farm crops on a basis of the farmer receiving for that portion of his crop needed for domestic consumption a price of not less than cost of production, including a reasonable profit.

3. The Wheeler bill, providing for the remonetization of silver.

4. The Thomas bill, which provides for the Government issuing full legal-tender, non-interest-bearing currency to pay the debts of the Nation instead of issuing more interest-bearing bonds.

5. We believe all taxation should be based on ability to pay. We further believe there is just one test of ability to pay, and that is net income at the end of the year. We therefore support such rates on net incomes as will pay the running expenses of government.

We realize that the concentration of wealth in the hands of a few to the extent that today in the United States less than 5 percent of the people own 90 percent of the wealth of the Nation is a menace to the life of the Nation. History teaches from Babylon to Russia that where such conditions exist one of two things happens—either there is redistribution of wealth or revolution and overthrow of the government.

To prevent the latter the Farmers' Union proposes such amendments to the inheritance and gifts tax law as will limit the amount an individual can take from an estate to one half million dollars.

6. We are opposed to the large appropriations being made in preparation for war.

For 40 years this Nation has preached peace while at the same time spending more money every year on wars—past, present, and future—than any other country in the world. It is our position that such a policy is hypocritical and inconsistent.

We are also unalterably opposed to compulsory military training in any form, and especially in tax-supported institutions of learning.

7. Farmers are the largest purchasers of gasoline of any group, hence the largest payers of gasoline taxes. We are opposed to the Federal taxes on gasoline and to the diversion of tax funds raised by the various States from road building and maintenance purposes.

8. We believe Congress should pass such legislation as would absolutely prohibit gambling in farm products by boards of trade, cotton exchanges, and other speculators.

9. It is our position that so long as industry is protected by tariff, agriculture is entitled to the same protection.

10. We urge the next session of Congress to pass such legislation as will give the Philippines immediate and absolute independence.

11. We favor further and more effective legislation against the use of oriental oils in the manufacture of oleomargarine. Such legislation is needed to protect the dairy farmers of the Nation.

12. The eighteenth amendment has been repealed. We favor such legislation as will place the manufacture and distribution of all intoxicating liquors in the Government. This would remove profits, which is the biggest element of evil in the liquor traffic.

* * * * * * *

It is the position of the Farmers' Union that agriculture should be placed on an equality with industry in the matter of tariffs.

At the present time wheat is being imported in this country. Oriental oils and fats are coming in at an increased ratio. Cattle are the lowest in price in 50 years, yet a large percent of the canned beef found in the chain stores in this country comes from South America.

We demand that in all these things the Government should immediately place an embargo against foreign importations of agricultural products in which this country produces more than enough for home consumption.

During the war American boys from farm and factory served their country in France in the mud and rain of the trenches for the pittance of $1.25 cents per day, while the millionaires at home were piling more millions on top of their already swollen fortunes, coining money out of the blood of the flower of our American youth.

The Government is taxing the people to pile up a sinking fund to pay these ex-service boys an adjusted compensation in 1945. This is a very expensive way of paying the acknowledged debt due our ex-service men.

Business languishes, people go naked and starve for lack of medium of exchange with which to transact business: Therefore be it

Resolved, That the Farmers' Union is in favor of the Government issuing full legal-tender, non-interest-bearing currency and paying this debt to the ex-service boys at once. Such a method will cost the Government much less than the sinking-fund plan and will furnish 2¼ billion dollars of real medium of exchange over which the bankers will have no control;

* * * * * * *

Whereas there have been offered in the United States Congress two or more radical proposals intended to repeal the existing food and drug law, and to substitute in its place a measure which, according to our belief, would radically change the administration of such a law, by conferring dictatorial power upon the Secretary of Agriculture, unwarranted and unjustifiable at this time: Therefore be it

Resolved, That this proposed act be amended so as to exclude the word "food" from its provisions, and regulations of the food industries be continued under the present law; be it further

Resolved, That this convention places itself on record as opposing any legislation or any ruling by any one in authority that would in any way hamper or destroy the usefulness of reciprocal mutual cooperative fire, automobile, and life-insurance companies which have been successfully operated for many years and are of unquestioned stability.

* * * * * * *

Be it resolved by the National Farmers' Union, That we ask the President of the United States to direct the Attorney General to file suit in the proper court to require the Secretary of Agriculture to make public the names of those short sellers who are destroying the prices of grain, and that if the President of the United States fails or refuses to comply with the resolution in that respect, then the National Farmers' Union join in a move to expose such names.

* * * * * * *

An uninformed electorate is dangerous to a free republic: Therefore be it

Resolved, That the national convention pledge itself to furnish every member the vote of the national Senators and Representatives on major agricultural bills.

We demand immediate national moratorium on farm foreclosures until such times as the Government provides adequate refinancing, such as the Frazier bill.

Resolved, That we recommend to our membership the serious consideration of the methods and efforts of the national Farmers' Holiday Association to arouse public sentiment to the injustice to agriculture.

Resolved, Since our Farmers' Union cooperatives are not operated for profit but to effect a saving to the membership and all operating strictly in accord with the provisions of the Capper-Volstead Act (and also, as in the case of the Packer and Stockyards Administration), which forbids the promiscuous and indiscriminate proration of dividends beyond the bounds of bona fide membership; and be it further

Resolved, That, whereas the Internal Revenue Department now refuses to concede our eligibility to income tax exemption (a policy that has been long recognized as unassailable), but now proposes to assess us as profit concerns, we, your committee, herein recognize an emergency and recommend that the national Union assist our cooperatives with all its power to solve this problem and protect our enterprises.

The National Farmers' Union goes on record as being unalterably opposed to the direct purchasing of livestock such as is being practiced by the big packers at this time by which they are thwarting the intent and purpose of the open competitive terminal marketing system, where values of livestock are established.

We recommend to our national president, who is our legislative Representative at Washington, D.C., to take such steps as are necessary to have the Sherman antitrust law invoked to stop this vicious practice in restraint of trade such as was done by the attorney general of Nebarska in 1929. Because of this unwritten agreement between the large processors of meat in allotting territory in which there is no competition, it places the producer of livestock at the mercy of the packing industry to establish prices on their commodities.

And we further recommend that our national president exert every effort available at his command to bring to the attention of the United States Senate and Congress the necessity of amending the Packers and Stockyards Act, to bring under its jurisdiction all independent packing-plant stockyards and all other livestock markets where as many as 1,000 head of livestock is sold daily.

That a copy of this demand be wired President F. D. Roosevelt.

REPORTS OF THE CLAIMS COMMITTEE

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 1321) authorizing adjustment of the claim of Korber Realty, Inc., reported it without amendment and submitted a report (No. 177) thereon.

He also, from the same committee, to which was referred the bill (S. 177) for the relief of Woodhouse Chain Works, reported it with amendments and submitted a report (No. 178) thereon.

He also, from the same committee, to which were referred the following bills, reported them each with an amendment and submitted reports thereon:

S. 785. A bill for the relief of Elizabeth Bolger (Rept. No. 179); and

S. 1429. A bill for the relief of Anthony J. Lynn (Rept. No. 180).

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. FLETCHER:

A bill (S. 2230) amending section 23 of the Merchant Marine Act, 1920; to the Committee on Commerce.

By Mr. CAPPER:

A bill (S. 2231) to guarantee the principal of bonds issued by the Home Owners' Loan Corporation; to the Committee on Banking and Currency.

By Mr. TYDINGS:

A bill (S. 2232) for the relief of the Union Trust Co., of Baltimore, Md.;

A bill (S. 2233) for the relief of Mildred F. Stamm;

A bill (S. 2234) to extend the benefits of the United States Employees' Compensation Act of September 7, 1916, to Anna S. Matthews;

A bill (S. 2235) for the relief of Mary Kress, Myer Toor, and Theresa Toor; and

A bill (S. 2236) for the relief of the estate of Oscar F. Lackey; to the Committee on Claims.

A bill (S. 2237) granting an increase of pension to Catherine Merritt; to the Committee on Pensions.

By Mr. DILL:

A bill (S. 2238) to provide for the payment of damages to certain residents of Alaska caused by reason of extending the boundaries of Mount McKinley National Park; to the Committee on Claims.

By Mr. PATTERSON:

A bill (S. 2239) for the relief of Minnie D. Hines; to the Committee on Claims.

A bill (S. 2240) granting a pension to Lillian LaMotte (with accompanying papers); and

A bill (S. 2241) granting a pension to William K. Price (with accompanying papers); to the Committee on Pensions.

By Mr. GEORGE:

A bill (S. 2242) for the relief of the Collier Manufacturing Co., of Barnesville, Ga.; to the Committee on Claims.

By Mr. COPELAND:

A bill (S. 2243) for the adjudication and determination of the claims arising under the extension by the Commissioner of Patents of the patent granted to Frederick G. Ransford and Peter Low as assignees of Marcus P. Norton, no. 25036, August 9, 1859; to the Committee on Post Offices and Post Roads.

A bill (S. 2244) to amend Public Law No. 2, Seventy-third Congress, entitled "An act to maintain the credit of the United States Government", enacted March 20, 1933, to continue retirement pay to certain emergency officers disabled in line of duty during the World War; to the Committee on Military Affairs.

By Mr. McKELLAR:

A bill (S. 2245) for the relief of Meyer Morris; to the Committee on Claims.

(Mr. COPELAND, Mr. VANDENBERG, and Mr. MURPHY introduced Senate bills 2246 to 2258, inclusive, which appear under another heading at the end of the remarks of Mr. COPELAND.)

By Mr. ROBINSON of Arkansas:

A bill (S. 2259) granting an increase of pension to Laura I. Robinson;

A bill (S. 2260) granting a pension to Lizzie Knight;

A bill (S. 2261) granting an increase of pension to Roy E. George;

A bill (S. 2262) granting an increase of pension to Elizabeth Dunn;

A bill (S. 2263) granting a pension to Roland Burkhart; and

A bill (S. 2264) granting a pension to Hosea M. Jones; to the Committee on Pensions.

A bill (S. 2265) for the relief of Ira N. Saffell;

A bill (S. 2266) to authorize the sale of a portion of the Fort Smith National Cemetery Reservation, Ark., and for other purposes;

A bill (S. 2267) for the relief of Isaac Pierce; and

A bill (S. 2268) to provide for the commemoration of the Battle of Helena, in the State of Arkansas; to the Committee on Military Affairs.

A bill (S. 2269) for the relief of Emma Fein;

A bill (S. 2270) to carry out the findings of the Court of Claims in the case of W. W. Busby, administrator of the estate of Evelina V. Busby, deceased, against the United States;

A bill (S. 2271) for the relief of James W. Green, Jr.;

A bill (S. 2272) for the relief of Bert Moore; and

A bill (S. 2273) for the relief of Claude A. Brown and Ruth McCurry Brown, as natural guardians of Mamie Ruth Brown; to the Committee on Claims.

A bill (S. 2274) to establish the Ouachita National Park in the State of Arkansas; to the Committee on Public Lands and Surveys.

A bill (S. 2275) to further protect interstate and foreign commerce against bribery and other corrupt trade practices; to the Committee on the Judiciary.

A bill (S. 2276) to restore the right to compensation to Roberta K. Dillon; to the Committee on Finance.

A bill (S. 2277) to establish fish and game sanctuaries in the national forests; to the Special Committee on Conservation of Wild Life Resources.

By Mr. CAPPER:

A joint resolution (S.J.Res. 72) to authorize and direct the Secretary of Agriculture to investigate the cost of maintaining the present system of future trading in agricultural products and to ascertain what classes of citizens bear such cost; to the Committee on Agriculture and Forestry.

CONTROL OF ALCOHOLIC BEVERAGES IN THE DISTRICT—AMENDMENTS

Mr. WALSH submitted amendments intended to be proposed by him to the bill (H.R. 6181) to control the manufacture, transportation, possession, and sale of alcoholic beverages in the District of Columbia, which were ordered to lie on the table, to be printed, and to be printed in the RECORD, as follows:

On page 14, section 10, line 22, after the word "thereon", to insert the following:

"The board shall be empowered to limit all licenses when in their discretion the further issuance of any license will be detrimental to the public welfare."

On page 23, section 12, subsection (b), line 13, after the word "license", to insert the following:

"No person (person to mean as defined in sec. 2, subsec. M, p. 6, lines 11 and 12) shall hold more than one retailer's license."

FEDERAL COMPENSATION AND VETERANS' BENEFITS—AMENDMENT

Mr. HATFIELD. Mr. President, I ask unanimous consent to submit an amendment, which I wish to call up when House bill 6663, the independent offices appropriation bill, comes from the House. I wish to have the amendment lie on the table, printed, and printed in the RECORD.

There being no objection, the amendment was ordered to lie on the table, to be printed, and to be printed in the RECORD, as follows:

At the proper place in the bill to insert the following:

"SEC. —. That all of the provisions of the following acts reducing or limiting the compensation of Federal officers and employees, reducing or limiting or voiding the benefits, payments, care, treatment of American veterans, their dependents and beneficiaries—

"Public Law No. 78, Seventy-third Congress, first session, approved June 16, 1933 (48 Stat., pt. 1, p. 283), entitled 'An act making appropriations for the Executive Office and sundry independent executive bureaus, board, commissions, and offices for the fiscal year ending June 30, 1934, and for other purposes'; Public Law No. 2, Seventy-third Congress, first session, approved March 20, 1933 (48 Stat., pt. 1, p. 8), entitled 'An act to maintain the credit of the United States Government'; Public Law No. 428, Seventy-second Congress, first session, approved March 3, 1933 (47 Stat., pt. 1, p. 1489), entitled 'An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1934, and for other purposes'; and Public Law No. 212, Seventy-second Congress, first session, approved June 30, 1932 (47 Stat., pt. 1, p. 382), entitled 'An act making appropriations for the legislative branch of the Government for the fiscal year ending June 30, 1933, and for other purposes'—are hereby repealed; and such compensation is hereby restored to those basic salary or wage rates in effect on May 30, 1932, whether on an annual, monthly, weekly, per diem, hourly, piecework, or other bases: *Provided*, That the rates of compensation for the several trades and occupations, which are set by wage boards or other wage-fixing authorities, shall be reestablished and maintained at rates not lower than those contained in the respective wage schedules in effect on May 30, 1932: *Provided further*, That nothing herein shall be construed as reducing any compensation: *And provided further*, That employees of the Government who were entitled to promotions in rank or increases in salary or wages, and which promotions or increases were prevented through the enactment of any of the laws above referred to, shall be granted such promotions and increases as of the date such promotions and increases would have taken effect had the laws above referred to not been enacted.

"SEC. 2. This act shall become effective the day following its enactment."

PERMITS TO IMPORT ALCOHOLIC BEVERAGES

Mr. DICKINSON. Mr. President, I submit a resolution and ask for its immediate consideration.

The VICE PRESIDENT. The resolution will be read.

The legislative clerk read the resolution (S.Res. 127), as follows:

Resolved, That the Federal Alcohol Control Administration be requested to send to the Senate the names of all persons that have been granted permits to import alcoholic beverages of any kind, the quantity granted each permittee, and the country from which said imports are to be received.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to.

ADDITIONAL COPIES OF HEARINGS ON NATIONAL INDUSTRIAL RECOVERY ACT

Mr. HAYDEN. Mr. President, it is found necessary by the Committee on Finance to have 1,000 additional copies of a certain hearing printed, and by direction of the Committee on Printing I report a resolution and ask unanimous consent for its immediate consideration.

There being no objection, the resolution, S.Res. 128, was read, considered, and agreed to, as follows:

Resolved, That in accordance with paragraph 3 of section 2 of the Printing Act, approved March 1, 1907, the Committee on Finance of the Senate be, and is hereby, empowered to have printed 1,000 additional copies of the hearings held before said committee during the first session of the Seventy-third Congress, on the bills S. 1712 and H.R. 5755, entitled "A bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes."

ASSISTANT CLERK TO COMMITTEE ON PRIVILEGES AND ELECTIONS

Mr. GEORGE submitted the following resolution (S.Res. 129), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Committee on Privileges and Elections hereby is authorized to employ an assistant clerk to be paid from the contingent fund of the Senate at the rate of $2,000 per annum until otherwise provided by law.

EXTENSION OF TIME FOR INVESTIGATION OF CAMPAIGN EXPENDITURES

Mr. CONNALLY. Mr. President, I send to the desk a resolution and ask that it be read.

The VICE PRESIDENT. Without objection, the clerk will read.

The legislative clerk read the resolution (S.Res. 130), as follows:

Resolved, That the special committee appointed by the Vice President under authority of Senate Resolution No. 174, agreed to July 11, 1932, to investigate campaign expenditures for President and Senators in the 1932 primaries and elections, hereby is granted an extension of time for making its full report to the Senate until the 1st day of February 1934; and said committee hereby is continued in full force and effect pending its report.

Mr. CONNALLY. I ask unanimous consent for the immediate consideration of the resolution.

The VICE PRESIDENT. Is there objection to the request of the Senator from Texas?

Mr. FESS. I understand from the reading of the resolution that it does not do any more than extend the time of the committee to report?

Mr. CONNALLY. All the resolution does is that which is suggested by the Senator from Ohio. It extends the life of the committee to the 1st of February purely for the purpose of making its report. There are to be no further hearings. The hearings have been concluded. The report was supposed to have been submitted on the first day of the session, but some of the members of the committee were absent at that time. I have already prepared a report so far as I am concerned, but it is necessary to get concurrence of the other members of the committee who have been out of the city. I feel that I can assure the Senate that it will be only a few days until the committee is able to submit a report, or reports if we disagree, so the Senate will have the information.

Mr. FESS. I have no objection.

There being no objection, the resolution was considered and agreed to.

ANTIDUMPING LEGISLATION IN THE UNITED STATES AND FOREIGN COUNTRIES (S.DOC. NO. 112)

Mr. DILL. Mr. President, I ask unanimous consent to have printed as a Senate document a report prepared for the Federal Trade Commission by the Export Trade Section of the Commission on antidumping legislation in the United States and foreign countries. This is a very complete report, and I think is of marked interest to the country and the Congress at this time.

The VICE PRESIDENT. Without objection, it is so ordered.

FOREIGN FOOD PRODUCTS PURCHASED BY WAR DEPARTMENT

The VICE PRESIDENT. The Chair lays before the Senate a resolution coming over from the previous day, which will be read.

The legislative clerk read the resolution (S.Res. 125) submitted by Mr. ROBINSON of Indiana on the 10th instant, as follows:

Whereas it is reported in the public press that during the year 1933 large amounts of foreign food products were purchased under the direction of the Secretary of War for use in supplying rations to the Army and the Civilian Conservation Corps; and

Whereas there appeared in the Washington Herald for the morning of January 9, 1934, the following article:

"ARMY AND C.C.C. TO 'EAT AMERICAN'

"The Army and the C.C.C. will consume American products only this year.

"Last spring considerable Argentine beef was purchased, but Assistant Secretary of War Woodring assured President Roosevelt yesterday that this won't happen again.

"The 'doughboys' will also get more cheese this year. In response to the demands of dairy interests, the Army will purchase 1,000,000 pounds for rations": Therefore be it

Resolved, That the Secretary of War is requested to transmit to the Senate, as soon as practicable, a report showing the amounts of foreign beef and other foreign food products purchased by the War Department since March 4, 1933, for the use of the Army and the Civilian Conservation Corps, and the prices paid therefor.

Mr. ROBINSON of Arkansas. Mr. President, that is a resolution submitted by the Senator from Indiana [Mr. ROBINSON], who apparently is not in the Chamber.

Mr. McNARY. Mr. President, would the Senator from Arkansas be willing to have the resolution passed over until the Senator from Indiana shall return to the Chamber?

Mr. ROBINSON of Arkansas. Yes; I was going to suggest that perhaps he would like to be present.

The VICE PRESIDENT. Without objection, the resolution will be passed over.

Mr. ROBINSON of Arkansas subsequently said:

Mr. President, the Senator from Indiana [Mr. ROBINSON] has entered the Chamber since his resolution was called up a few moments ago, being Senate Resolution 125.

Mr. ROBINSON of Indiana. Mr. President, in connection with what the Senator from Arkansas just said, I will state that I have received the information I asked for in the resolution and, therefore, I ask that I be given permission to withdraw the resolution.

The VICE PRESIDENT. Without objection, the resolution will be indefinitely postponed.

Mr. ROBINSON of Indiana. I send to the desk a letter from the War Department and ask that it be read. It supplies the information which I sought.

The VICE PRESIDENT. Without objection, the clerk will read as requested.

The legislative clerk read the letter, as follows:

WAR DEPARTMENT,
OFFICE OF THE ASSISTANT SECRETARY,
Washington, D.C., January 10, 1934.

Senator ARTHUR R. ROBINSON,
United States Senate.

DEAR SENATOR: In reply to telephone request of Mr. Mercey, of your office, the following information is furnished.

Under ordinary conditions the Army does not purchase any considerable quantity of canned beef. However, during the spring and early summer of 1933 when the Civilian Conservation Corps was being assembled at Regular Army posts and being sent to their work camps, it was necessary to buy several hundred thousand pounds of canned corn beef. It was then learned that the market contained a limited quantity of American canned corn beef. This situation apparently was caused by the fact that American meat packers with subsidiaries in South America were able to ship canned meat from that country to the United States in spite of the duty and still undersell their own product in this country.

The War Department, at the time mentioned, purchased all available American canned corn beef and, in addition, bought a quantity of South American canned corn beef estimated at about 370,000 pounds. The time element did not permit the delay that would have resulted had foreign canned beef not been purchased at that period.

In October 1933 the War Department issued instructions prohibiting the purchase within the continental United States of foreign foodstuffs of any kind or for any purpose except those of a nature not produced in the United States.

With the exception of the canned meat referred to above, purchases by the War Department of imported food products for use in the continental United States have been insignificant except for those articles mentioned above as not being produced in the United States; namely, tea, coffee, cocoa, chocolate, and spices.

Trusting this will give you the information you desire, I remain,
Sincerely yours,

HARRY H. WOODRING,
The Assistant Secretary of War.

Mr. CAREY. Mr. President, in connection with the letter just read, I should like to give some figures showing the increase in the importations of canned meats.

In 1931 there were 18,119,531 pounds imported. The importations for 11 months of last year were 39,177,193 pounds, which would represent 157,010 cows, showing that even with the low prices of beef prevailing in this country South American beef is coming in here all the time.

REPORTS OF GOVERNMENT OBLIGATIONS

The VICE PRESIDENT. The Chair lays before the Senate another resolution coming over from the previous day, which will be read.

The legislative clerk read the resolution (S.Res. 126) submitted by Mr. DICKINSON on the 10th instant, as follows:

Whereas Executive Order No. 6548, dated January 3, 1934, has been revoked and an Executive order in lieu thereof issued, reading, in part, as follows: "It is hereby ordered that all executive departments (other than the Treasury Department), independent establishments, agencies, and instrumentalities of the United States, including corporations without capital stock which are owned by the Government and corporations with capital stock of which 50 percent or more is owned by the Government, except corporations which were in existence prior to January 1, 1932, shall hereafter submit to the Director of the Budget a weekly report containing an itemized statement of all allocations of funds made during the preceding week out of any emergency appropriation or other available emergency fund, and a weekly report containing an itemized statement of all obligations incurred during the preceding week for the expenditure of any emergency appropriation or other available emergency fund. Such reports shall include the allocation of funds and the incurring of obligations through the issuance of securities. The Director of the Budget shall keep a current compilation and tabulation of the above-mentioned allocations and obligations so reported and from time to time make such recommendations thereon to the President as he may deem advisable":

Resolved, That a copy of all said reports furnished the Director of the Budget be filed with the Secretary of the Senate for the information of the Senate.

Mr. ROBINSON of Arkansas. Mr. President, the resolution was submitted to the Senate yesterday. I respectfully suggest to the author of the resolution that perhaps he would like to modify the language slightly, so as to request that copies of the reports furnished the Director of the Budget be filed with the Secretary of the Senate for the information of the Senate, and so forth. If the resolution may be modified in that particular, I can see no objection to its adoption; and I am also authorized by the Director of the Budget to state that he will very gladly comply with the resolution and file the reports.

Mr. DICKINSON. I have no objection to modification of the resolution in that respect.

Mr. ROBINSON of Arkansas. I suggest a modification by inserting the words "it is requested", so as to read:

Resolved, That it is requested a copy of all said reports furnished the Director of the Budget be filed with the Secretary of the Senate for the information of the Senate.

I offer that as an amendment to the resolution.

The amendment was agreed to.

The resolution as amended was agreed to.

The preamble was agreed to.

JOHN C. MERRIAM

Mr. ROBINSON of Arkansas. Mr. President, I call from the table the joint resolution (S.J.Res. 70) to provide for the reappointment of John C. Merriam as a member of the Board of Regents of the Smithsonian Institution and ask for its immediate consideration.

There being no objection, the joint resolution (S.J.Res. 70) was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved, etc., That the vacancy in the Board of Regents of the Smithsonian Institution, of the class other than Members of Congress, caused by the expiration of the term of John C. Merriam, of the city of Washington, on December 20, 1933, be filled by the reappointment of the recent incumbent (John C. Merriam) for the statutory term of 6 years.

SUPREME COURT DECISION IN MINNESOTA MORTGAGE-MORATORIUM CASE

Mr. SHIPSTEAD. Mr. President, the other day the Supreme Court of the United States rendered an opinion in the so-called "Minnesota mortgage-moratorium case." I think it is generally admitted that it was an epoch-making decision. That decision, with the footnotes, was published in the RECORD of January 10 in the House proceedings. I ask unanimous consent that the entire decision, the majority opinion, the dissenting opinion, the Minnesota law, and the footnotes may be printed as a Senate document.

The VICE PRESIDENT. Is there objection?

Mr. GORE. Mr. President, I did not quite understand the request. Is the Senator asking that the decision of the Supreme Court in the Minnesota case be made a Senate document?

The VICE PRESIDENT. That is the understanding of the Chair.

Mr. GORE. Does the request include both the majority and minority opinions?

Mr. SHIPSTEAD. Yes; the entire record, including the State law and the footnotes.

Mr. GORE. Were both opinions printed in the RECORD yesterday? I did not happen to be here.

Mr. SHIPSTEAD. I am told that they were printed in the RECORD of January 9. I have not had time to read the RECORD through. If they were not printed in the RECORD

of yesterday, I ask to have the minority opinion printed also. I want the entire record printed.

Mr. GORE. I wish to suggest, if the Senator does not object, that I should like to include in the document the decision in the case of Townsend against Townsend, in First Peck, a Tennessee case, decided in 1821. I will not insist if the Senator objects.

The VICE PRESIDENT. Is there objection to the request of the Senator from Minnesota? The Chair hears none, and it is so ordered.

Mr. GORE. Mr. President, I ask at this point that extracts from the decision in the case of Townsend against Townsend, to which I have referred, and also an extract from the case of *Johnson* v. *Duncan & Al.'s Syndics.* (3 Martin's Rept.), a Louisiana case decided in 1815, both of which I will furnish, may be printed in the CONGRESSIONAL RECORD and also printed as a Senate document. It will be interesting to every Senator.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. GORE subsequently said: Mr. President, I have conferred with the Senator from Minnesota [Mr. SHIPSTEAD]. He does not object to the extracts from opinions to which I referred and has consented to have them included in the document which he asked to have printed a few moments ago.

The VICE PRESIDENT. Without objection, the document referred to will include the matter suggested by the Senator from Oklahoma.

Mr. GORE. Mr. President, I now ask unanimous consent that 2 or 3 pages from the Life of Washington by John Marshall may be printed in the RECORD and in the Senate document authorized pursuant to the request of the Senator from Minnesota a moment ago.

The VICE PRESIDENT. The Senator from Oklahoma requests modification of the unanimous consent granted a few moments ago at the request of the Senator from Minnesota [Mr. SHIPSTEAD] to include 2 or 3 pages from the Life of George Washington by Chief Justice Marshall.

Mr. GORE. It is 2 or 3 pages taken from the Life of George Washington by John Marshall relating to the same subject.

The VICE PRESIDENT. Is there objection to the modification?

Mr. SHIPSTEAD. Mr. President, on account of the confusion I did not hear the request of the Senator from Oklahoma. Will he please state it again?

Mr. GORE. I am requesting that there be added to the document, authorized a few moments ago at the instance of the Senator from Minnesota, 2 or 3 pages from the Life of George Washington written by John Marshall pertaining to the same subject. I am sure it will be very illuminating.

Mr. SHIPSTEAD. I have no objection.

The VICE PRESIDENT. Without objection, it is so ordered.

The extract and opinion ordered printed in the RECORD on request of Mr. GORE are as follows:

[From "Life of Washington" by Chief Justice Marshall]

The discontents and uneasiness, arising in a great measure from the embarrassments in which a considerable number of individuals were involved, continued to become more extensive. At length two great parties were formed in every State, which were distinctly marked, and which pursued distinct objects, with systematic arrangement.

The one struggled with unabated zeal for the exact observance of public and private engagements. By those belonging to it the faith of a nation or of a private man was deemed a sacred pledge, the violation of which was equally forbidden by the principles of moral justice and of sound policy. The distresses of individuals were, they thought, to be alleviated only by industry and frugality, not by a relaxation of the laws or by a sacrifice of the rights of others. According to the stern principles laid down for their government the imprudent and idle could not be protected by the legislature from the consequences of their indiscretion, but should be restrained from involving themselves in difficulties by the conviction that a rigid compliance with contracts would be enforced. They were consequently the uniform friends of a regular administration of justice and of a vigorous course of taxation which would enable the State to comply with its engagements. By a natural association of ideas they were also, with very few exceptions, in favor of enlarging the powers of the Federal Government and of enabling it to protect the dignity and character of the Nation abroad and its interests at home. The other party marked out for itself a more indulgent course. Viewing with extreme tenderness the case of the debtor, their efforts were unceasingly directed to his relief. To exact a faithful compliance with contracts was, in their opinion, a measure too harsh to be insisted on and was one which the people would not bear. They were uniformly in favor of relaxing the administration of justice, of affording facilities for the payment of debts or of suspending their collection, and of remitting taxes. The same course of opinion led them to resist every attempt to transfer from their own hands into those of Congress powers which by others were deemed essential to the preservation of the Union. In many of the States the party last mentioned constituted a decided majority of the people; and in all of them it was very powerful. The emission of paper money, the delay of legal proceedings, and the suspension of the collection of taxes were the fruits of their rule wherever they were completely dominant. Even where they failed in carrying their measures, their strength was such as to encourage the hope of succeeding in a future attempt, and annual elections held forth to them the prospect of speedily repairing the loss of a favorite question. Throughout the Union the contest between these parties was periodically revived, and the public mind was perpetually agitated with hopes and fears on subjects which essentially affected the fortunes of a considerable proportion of the society.

These contests were the more animated, because, in the State governments generally, no principle had been introduced which could resist the wild projects of the moment, give the people an opportunity to reflect, and allow the good sense of the Nation time for exertion. This uncertainty with respect to measures of great importance to every member of the community, this instability in principles which ought if possible to be rendered immutable, produced a long train of ills, and is seriously believed to have been among the operating causes of those pecuniary embarrassments which at that time were so general as to influence the legislation of almost every State in the Union. Its direct consequence was the loss of confidence in the Government, and in individuals. This, so far as respected the Government, was peculiarly discernible in the value of State debts.

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The prospect of extricating the country from these embarrassments was by no means flattering. Whilst everything else fluctuated, some of the causes which produced this calamitous state of things were permanent. The hope and fear still remained that the debtor party would obtain the victory at the elections; and instead of making the painful effort to obtain relief by industry and economy, many rested all their hopes on legislative interference. The mass of national labor and of national wealth was consequently diminished. In every quarter were found those who asserted it to be impossible for the people to pay their public or private debts; and in some instances threats were uttered of suspending the administration of justice by private violence.

By the enlightened friends of republican government, this gloomy state of things was viewed with infinite chagrin; and many became apprehensive that those plans from which so much happiness to the human race had been anticipated, would produce only real misery, and would maintain but a short and a turbulent existence. Meanwhile, the wise and thinking part of the community, who could trace evils to their source, labored unceasingly to inculcate opinions favorable to the incorporation of some principles into the political system, which might correct the obvious vices without endangering the free spirit of the existing institutions.

[From Opinion of the Court in *Johnson* v. *Duncan & Al.'s Syndics* (3 Martins La. Repts.)]

The obligation of contracts consists in the necessity under which a man finds himself to do, or refrain from doing, something. This obligation exists generally both in foro legis and in foro conscientiae, though it does at times exist in one of these only. It is certainly of the first, that in foro legis, which the framers of the Constitution spoke when they prohibited the passage of any law impairing the obligations of contracts. Now, a law absolutely recalling the power which the creditor enjoys of compelling his debtor in foro legis to perform the obligation of his contract would be a law destroying the obligation of the contract in foro legis. Since a right, without a legal remedy, ceases to be a legal right, it would impair the obligation of the contract by destroying its legal obligation; in other words, by reducing an obligation both in foro legis and in foro conscientiae to an obligation in foro conscientiæ only—a legal and moral right to a moral right only. The remedy in foro legis, constituting the legal right of the creditor, constitutes also its correlative, the legal duty or obligation of the debtor; and a law which reduces a legal to a moral obligation is one which in foro legis destroys the obligation. It appears, therefore, to me incorrect to say that the legislature may effectually do, as to the remedy or effect of the obligation, that which it cannot do as to the right; and I conclude that a law destroying or impairing the remedy is as unconstitutional as one affecting the right in the same manner; for in foro legis the effects of both laws must be the same.

Likewise a law procrastinating the remedy, generally speaking, destroys part of the right. He pays less who pays later. Minus solvit qui serius solvit. Neither is the procrastination properly compensated by the allowance of interest in the meanwhile. To

many men in many circumstances there is a wide difference between $100 payable today and $106 payable in a twelvemonth, whatever may be the certainty that no disappointment will occur; and in many cases the delay is likely to be productive of considerable danger to the solvability of the debtor. Any indulgence, therefore, in point of time, afforded by the legislature to the debtor is a correlative injury to the creditor in the same degree, though of a different nature, as a correspondent indulgence by a proportionate reduction of the debt.

That such were the impressions of the framers of the Constitution will appear, if in expounding that instrument, we follow the rules laid down for the exposition of statutes—if we consider the old law, the mischief and the remedy.

The charter of our Federal rights was framed not many years after the termination of the war which secured our independence. The disasters attending the arduous conflict had disabled many an honest individual from punctually discharging his obligations; and the legislature of some of the States, more attentive to afford immediate and temporary relief than a more remote and lasting one, by a sacred regard for good faith and the consequent preservation of credit, passed laws meliorating the condition of debtors to the injury and ruin of creditors. In one State an emission of paper money, for the redemption of which no day was fixed nor any fund provided, was made a legal tender. In other words, an obligation to pay gold and silver was impaired by being reduced to an obligation to pay irredeemable paper, elsewhere a similar obligation was impaired by being reduced to an obligation to deliver a tract of pine barren land, or an installment law was passed and an obligation to pay today was impaired by being reduced to an obligation to pay at several periods, at the distance of intervening years. Such was the old law. The consequent diminution of the fortunes of several individuals, the total ruin of others, and the indispensable concomitant, the destruction of credit, produced a stagnation of business, which considerably affected public and private prosperity, such was the mischief.

The Federal compact provided that the legislature of no State should retain the power of making anything but gold and silver a tender in the discharge of debts in order to avert in future the mischiefs resulting from laws impairing the obligation of a contract to pay gold and silver by reducing it to an obligation to pay paper, pine barren land, or, indeed, anything but gold and silver. Yet the remedy was not commensurate with the evil; the healing process was, therefore, continued in order to prevent the passage of laws impairing the obligation of a contract to pay today by reducing it to an obligation to pay on a distant day or days; or, indeed, any attempt at a legislative interference between parties to a contract by favoring either party to the injury of the other; and it was provided that no State should pass any law impairing the obligations of contracts. If the restriction from making anything but gold and silver a tender in the payment of debts had not preceded that from passing any law impairing the obligation of contracts, there might be some, though very little, ground to say that the latter clause would have been satisfied by restraining the passage of laws authorizing the payment of one thing instead of another.

I therefore find no difficulty in concluding that an act of a State legislature, the obvious object of which is to relieve debtors by postponing the recovery, and consequently the payment of debts, impairs the obligation of contracts, and as such is unconstitutional, and the court is bound to disregard it, whatever may be the hard necessity which, in the opinion of those who exercise the legislative powers of the State, appeared to require that they should come to the aid of their suffering fellow citizens. Fiat justitia, ruat coelum.

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TOWNSEND *v.* TOWNSEND AND OTHERS (1 PECK'S, TENN. RPTS.)

Article I, section 10, of the Constitution of the United States was incorporated in that instrument to prevent a recurrence of the mischiefs arising from paper money and tender laws under the colonial government and up to the formation of the Federal Constitution. History of paper money and tender laws parallel between the present paper system and endorsement laws, and the system anterior to the formation of the Federal Constitution. The writ of execution, even considered as a new created right by which to enforce contracts, must not, under section 10, article I, of the Constitution, be so ordered on condition as to compel a creditor to lose his security to have the benefit thereof.

If the right to have execution was antecedent, suspension is an unconstitutional penalty; if newly created, the condition is unconstitutional and the right vests absolutely.

Law is the source of obligation, and the law at the time defines the extent of it; if the law in being at the time a contract is made gives an equivalent in money and a subsequent law provides that the equivalent shall not be in money, such law would impair the obligation of the contract; so, if a law at the date of a contract give immediate execution on a judgment and a subsequent law suspend it for 2 years, the contract is impaired. The regulation of contracts by law must go before, not after, such contracts are made. The mode of redress may be altered, but, as regards antecedent contracts, must not be rendered less efficacious than was the law when the contract was made.

Our Constitution, article II, section 7, "all courts shall be open", etc., relates to every possible injury a man may sustain, and includes the right to demand execution of a contract; to withhold performance is an injury to him in his goods and chattels, for he shall have "right and justice without sale, denial, or delay."

In Magna Carta this operates on royal power; in our country on legislative and every other power; every legislature and court is bound to say "let right and justice be administered without sale, denial, or delay." Justice is the end and right the mean whereby we may attain the end, which is the law. The mean is original and judicial process, and these must go, when demanded, without sale, denial, or delay. Therefore, the act of 1819, chapter 19, suspending the execution upon all judgments thereafter to be obtained for 2 years, unless the plaintiff will endorse that bank notes will be received in discharge, is unconstitutional and void.

The act of 1819, chapter 19, directs that upon any judgment thereafter to be obtained, execution shall not issue until 2 years after the rendition of such judgment, unless the plaintiff shall endorse upon the execution, that the sheriff or other officer shall and may receive, in satisfaction of said execution, notes on the State bank of Tennessee and its branches, and the Nashville bank and branches, or any of them, and such other notes as pass at par with them, etc.

The same or a similar provision is made by a law of 1820 for forming a new bank and for loaning out the moneys that it may issue. These acts of the legislature are urged to be unconstitutional and void. And various clauses of the State constitution and of the Constitution of the United States are said to be in direct repugnance to these acts; and if so, it is well to admit in the outset that the acts, like every other act whose basis is authority, are void if the authority be not given. We will take up these several clauses one after another and examine each in its turn to discover whether the acts in question are really unconstitutional as they are alleged to be.

First, then, let us take into consideration article I, section 10, of the Constitution of the United States, "No State shall, etc., emit bills of credit or make anything but gold and silver coin a tender in payment of debts, pass any, etc., ex post facto law or law impairing the obligation of contracts", etc. The two first sentences respect tender laws and paper money; the construction to be put on them should repress and prevent the evils they were intended to obviate; and what these are must be understood by the actual evils which paper money and tender laws produced in the time of the Colonial governments in time of the War of the Revolution and after that war, before the adoption of the Constitution of the United States; and also by the effects which these clauses produced after the adoption of the Constitution; and then by considering what will be the effect of the act of assembly now under contemplation, should the same be deemed valid, we shall be able to discover whether these effects are the ones intended to be prevented by the clauses of the Constitution in question.

What, then, is the history of paper money and tender laws under the Colonial governments? North Carolina issued paper money, in 1713, £8,000, and the money depreciated. The lords proprietors would not receive it for quit rents, though issued to defray the expenses of the Tuscarora War. It could not be remitted to England, they said; at the same time peltry was received by them. The next North Carolina emission was in 1722, £1,200; the next in 1729, £40,000; the next in 1734, £1,000; Treasury notes in 1756, 1757, 1758, and 1759; one emission in 1760, of £12,000; one in 1761, of £20,000; one in 1771, of £60,000, to defray the expenses of suppressing the regulators. At this time there was already afloat £75,000. In 1729 the money depreciated and could never be raised to its original value. In 1730 the depreciation was three and a half for one; in 1735 it was five for one; in 1739 it was seven and a half for one; in 1740 it was received in payment for taxes, at the rate of seven and a half for one, and thus the Government redeemed and got clear of it. The Treasury notes depreciated. There is no instance of paper money which did not depreciate, let the plan for sustaining its credit be of whatever description it might. Paper money, in the time of the Colonial governments, was issued in most of the provinces, and in some of them depreciated more than it did in North Carolina.

The attempt was made in Massachusetts to issue bank bills, loaning them out on interest and on real and personal security, to be redeemed gradually, by the payment from the borrowers of one twelfth, making the bills a tender, and the refusal of them, to incur the loss of the debt. These provisions did not delay the depreciation for one instant. The rate of exchange in the first year was 150 and in the second 200 percent. In 1729 Massachusetts, Rhode Island, and Connecticut had issued paper money. It depreciated. There was an immense quantity afloat; but the people still clamored for more. Massachusetts and New Hampshire were restrained from further emissions by royal instructions to the governors. Rhode Island could not be restrained, because she chose her own governor; and she issued £100,000. It instantly depreciated from 19 to 27 shillings per ounce silver, the former being the settled value, before the emission.

In 1741, in Massachusetts, the paper money being about to be redeemed by gold and silver, remitted from England to reimburse the Colonies for the exertions made in the late war above her quota, an apprehension of the scarcity of money and consequent distress of individuals, excited a great uneasiness in the colony; a bank was forthwith proposed to supply the place of the paper money thus to be redeemed. Every borrower was to mortgage a real estate in proportion to the sums he should take from the bank, or at his option, give personal security when the sum should exceed £100, to pay annually 3 percent on the sum borrowed, and 4 percent of the principal. To prevent the general confusion which was anticipated from this institution, the Parliament interfered and suppressed the company. The Massachusetts currency was redeemed at the rate of 50 shillings

per ounce of silver, instead of 19 shillings per ounce, the rate at which it was issued. At this time, the popular leaders were using their best endeavors to make further emissions. In 1722, Pennsylvania issued paper money accompanied with penalties, enacted against those who made any difference in the price of their goods, when sold for paper and when sold for gold and silver. Notwithstanding this regulation, £130 of the paper was only equal in the course of exchange with Great Britain to £100 sterling, and in some of the Colonies, £100 sterling was equal in value to £1,100 currency. Such was the state of the currency before the Revolution. During the Revolutionary War, emissions were made from time to time. Depreciation began in March 1777, at one and a quarter for one, and progressed to January 1782, when it was 800 for one; and as if ashamed of their own loss of credit, the notes silently withdrew from circulation.

After the war of the Revolution was ended in 1783, the Assembly emitted in North Carolina £100,000, and in 1785, they made another emission to the same amount. The uniform fate of these emissions was depreciation. The emission of 1783, in North Carolina depreciated from 8 to 10 shillings, and then 12 shillings per dollar. The new emission of 1785 still further depreciated to 14, 15, and 16 shillings per dollar, instead of continuing at 8 shillings per dollar; but returned and settled at 10 on the adoption of the Constitution of the United States in 1789, and so it has ever since remained. In the debates in the convention of North Carolina upon the paper money and tender laws, it was stated that paper in Rhode Island had depreciated eight for one, and 100 percent, or 16 shillings per dollar in North Carolina. It was also stated that Pennsylvania had issued paper money but had not made it a tender, that in South Carolina their bills were a tender, as was also the paper money in Rhode Island, New York, New Jersey, and North Carolina. It was further stated that in South Carolina laws had been passed to pay debts with land, and, from calling them pine barrens, it is implied with such land as the debtor might choose to offer. And further, it was stated, that they had ordered debts to be paid by installments.

One cause of depreciation is that the paper could not be remitted to foreign countries. No matter how small the emission may be, it is not equal to gold and silver. He who exchanges it for gold and silver must give a greater quantity of paper. The expense of searching for and finding the silver, of procuring the exchange, and of getting it to the place of exportation, together with the risk of conveyance and the greater danger of having the paper money counterfeited, are all considered and involved in fixing the difference of value and contribute to the increase of depreciation. If the paper money cannot be redeemed till some years hence, that becomes another cause of depreciation. It may be alleviated by an accrual of interest for the delay, but it will nevertheless depreciate from this cause in conjunction with others. One hundred pounds in gold and silver is better than £100 bearing interest payable at the end of 10 years, although it will then be certainly paid: Because a present and pressing demand which cannot be extinguished but by gold and silver makes it eligible sometimes to give a greater premium than the interest rather than abide the consequences of nonpayment. And it will take the notes and a premium besides to procure the £100 which perhaps a merchant wants to pay a foreign creditor who has called for payment.

Another cause of depreciation is the power in the legislature to repeat emissions at pleasure. For hence arises the just apprehension that repeated emissions will be resorted to. Experience proves that paper money will be issued whenever the cry can be raised of general and public distress and can cause an application to be made for relief.

With respect to the disorders produced by paper money and tender laws, both theory and experience present them to view. Who will be so imprudent as to give credit to the citizens of a State that makes paper money a tender and where he can be told, take for a gold and silver debt depreciated paper, depreciating still more in the moment it is paid? Who would trust the value of his property to the citizens of another State or of his own State who can be protected by law against the just demands of creditors by forcing them to receive depreciated paper or to be delayed of payment from year to year until the legislature will no longer interfere? Had he not better go to other markets beyond the limits of the State to dispose of his surplus productions? Or had he not better refrain from making any such surplus productions rather than be compelled to receive from the purchasers of them less than one half the value agreed to be paid for them? Had he not better remove to another country where good faith is preserved, with all his property, and there accumulate the rewards of his industry rather than be continually deprived of a great part of them here to suit the convenience of the purchaser? Would it not be better for a foreign state whose citizens are thus injured to use violence and make reprisals rather than suffer such injustice?

If such are the evils which theory would lead us to anticipate, they are not less formidable under the test of experience. Depreciated paper prevented equal contributions from the States to the general expenses of the Nation. New York, for instance, had emitted bills of credit. In them her quota was payable, and by depreciation of inferior value to the quota of other States where money was not depreciated, though the quotas of the latter were of much smaller denomination. Impressions had been made on the public morals by depreciated paper. Purchasers on credit had derived great gains from depreciation, extensive purchases had been made, and at length the hopes of the purchasers were disappointed and great numbers of the people were found to owe debts, which they were unable to pay; a general discontent ensued with the course of trade, petitions were made for relief; embarrassments daily became more extensive, and two parties were formed. One struggling for the observance of public and private engagements and for the relief of individual distress, they urged recourse to frugality and industry, and that the idle should not be protected by the legislature from the consequence of their indiscretion and should be restrained from involving themselves in difficulties by the conviction that a rigid compliance with contracts would be enforced. This party was for enlarging the powers of Congress to effectuate these ends.

The other party pressed for indulgence to debtors and for less rigor in the exact execution of contracts; for relaxing the administration of justice; for affording facilities for the payment of debts; for suspending the collection of them, and was opposed to any concession of power to Congress which might prove hostile to these views. Wherever this party prevailed, paper money was emitted, the delay of legal proceedings was tolerated, suspensions of collecting took place. Where this party had not yet prevailed, the dread of getting the superiority greatly affected the fortunes of a very considerable portion of the community. This uncertainty aided in promoting pecuniary embarrassments, which at the time influenced almost all the legislatures of the Union. Public and private confidence was lost; the public debts due to individuals everywhere depreciated. In private transactions an astonishing degree of distrust prevailed. The bonds of solvent men could not be negotiated, but at a discount of 30, 40, or 50 percent. Real property was scarcely vendible. Sales of any article for ready money could not be made but at a ruinous loss. The debtor class of society might prove successful at elections, and instead of paying by the fruits of industry and economy might be relieved by legislative interference. National wealth and national labor dwindled. Everywhere it was found that the people could not pay their debts. In some instances threats were used of suspending the administration of justice by private violence (5th vol. of the Life of Washington, pp. 85–89).

Amongst the various measures proposed for the removal of this gloomy state of things, a general convention to revise the circumstances of the union was one, and it succeeded. In Massachusetts, a short time before, the utmost distraction reigned. The mob required an abatement of the compensation promised to the officers of the Army, a cessation of taxes and of the administration of justice; they required the circulation of depreciated paper and a relief from public and private burdens. They threatened lawyers and courts, arrested the course of law, and restrained the judges from doing their duty.

Rhode Island, a paper-moneyed State, would not send deputies to the Convention, and North Carolina long hesitated in acceding to the Federal Constitution. Such were the unpromising circumstances which America had to deplore; and such the alarming disorders which were to be remedied by the Convention. One of the most powerful remedies was the tenth clause of the first article, and particularly the two sentences which we are now considering. They operated most efficaciously. The new course of thinking, which had been inspired by the adoption of a constitution that was understood to prohibit all laws for the emission of paper money and for the making anything a tender but gold and silver, restored the confidence which was so essential to the internal prosperity of nations.

There was a great and visible improvement in the circumstances of the people. Conviction was impressed upon debtors that personal exertion alone could save them from embarrassment. An increased degree of industry and economy was the natural consequence of such an opinion. These clauses, as they were not only necessary for the regulation of intercourse between the State and State, and the citizens of each, to prevent the misunderstandings which were likely to arise from the prohibited causes, are equally so for regulating the intercourse of citizens of the same State with each other, were therefore considered as a fundamental law of the Union and also a part of the constitution of each State. What was it to the State of Vermont if Georgia should pass an ex post facto law or bill of attainder which could operate only upon those within her own territory? The restriction was imposed upon Georgia not for the sake of the people of Vermont but for the benefit of Georgia and for fear of the tyranny which her own legislature, at some future time, might be tempted to exercise. A law, impairing the obligation of contracts, as it was equally injurious to citizens of the same State as to foreigners and citizens of other States, is equally prohibited as to all, and is not restrictive of State legislation only so far as regards citizens of other States.

The constitutions of the several States had left the power unlimited in their State legislatures. The framers of the Federal Constitution believed it to be of indispensable importance not to leave this power any longer in the hands of the State legislatures. Experience had demonstrated the baneful effects of its exercise. The known disposition of man excluded the hope that it would not be used for the same pernicious purposes in future. Under the smart of this experience, such were the feelings of the American people at the time, still suffering under repeated emissions of depreciated paper, that not a dissenting voice was raised against the clause before us. No State required it to be expunged, nor did any State propose an amendment. It was universally received without an exception, and the effects of the clauses themselves were miraculous. Public and private confidence took deep root. The people of America were reinstated in the admiration of the world. The precious metals flowed in upon them. Paper money

suddenly stopped in its career of depreciation and took a stand from which it never departed; industry revived universally; and to us in America was given a notable proof that whenever a nation is virtuous and honest it will prosper both in wealth and character, and that whenever a contrary course is pursued, such is the wise decree of Providence, that prosperity of either kind will not long follow in her train.

Do these acts of our legislature revive any of the recited mischiefs? If they are valid, what is there to distinguish our present situation from that which preceded the Federal Constitution? Can our legislature emit paper money and give credit to it by promising redemption by taxes and public property? Will not such money depreciate? Cannot the legislature to every real purpose make it a tender? And will not all the consequences ensue, which followed the like causes heretofore—payment of debts with depreciated paper, the dismissal of self-condemnation for unfaithfulness in contracts, a dereliction of industrious efforts, facility in the assumption of debts, a thirst for more paper, public inquietude under the ravages of speculation, indifference if not dislike to the Government, loss of public and private credit, the transportation of our commodities to countries where the money is not degraded, the removal of our capital thither, the cessation of active labor, the decrease of national wealth, poverty, embarrassment, open resistance to the laws, and a general cry, as from a sinking ship, of save us! save us!

Part of the loss by depreciation falls upon every man through whose hand the money passes, and to avoid the loss as much as possible, every holder makes haste to get rid of it and makes some sacrifice to do so. Those to whom debts are due, become debtors to an equal amount, to the end that what is lost by depreciation for debts due to them, may be saved by the depreciation of debts due from them. Many who are not debtors immediately become such by the purchase of property to as great an amount as possible, that they may gain as much in value as the sum to be paid to them loses in value by depreciation. Debts instead of being extinguished are multiplied, and the way is prepared for further emissions. Those who become creditors, knowing the risks they run, will have such advanced prices as will be a probable indemnification against them. A small number of credits amount to immense sums, and the thirst for paper money increasing with the means taken to allay it, new debtors clamor for more paper. Wanting means, and laboring under the disadvantages inseparably incident to the paper-money system, no State, however, blessed by nature, can attain prosperity. Embarrassments incessantly multiply; and for discharging debts without paying them, the country must be visited with misfortunes which no country can bear.

The injuries inflicted upon sister States will not be endured. The creditors there, when the attempt is made to pay gold and silver debts with depreciated paper, will seek redress; should the Constitution and laws of the Union be found inadequate to afford it, the legislature of their own State will look to its strength and to the dissolution of a compact, which instead of procuring justice to the citizens, excludes them from it. Should the disappointed creditor be a foreigner, after remonstrance to the head of the Union and the development of its incompetency, he will appeal to his own government and force will be resorted to. The whole Union becomes exposed for the injustice of one State, and will be disposed to leave it to suffer for its own misconduct rather than be responsible themselves for that which they cannot prevent. In either alternative, disunion is the end. On the contrary, if the Constitution and laws of the Union make void such act of the legislature, and we deem them valid, the debtor in this State will be found to pay gold and silver to his creditor who lives out of the State; when, at the same time, his debtor within the State, who owes an equal amount, will pay in depreciated paper, perhaps of not half the value; and thus, one debtor residing within the State will be ruined by the legalized unfaithfulness of another. And in our State courts, the same words in the same clause mean one thing; but in the Federal court, another. When part of the citizens are thus sacrificed to suit the convenience of another part, and when such sacrifices become habitual by the frequent exercise of a power, which never lies dormant, after the acknowledgment of its existence, it will not be long before the persecuted portion will seek exemption from the wrongs it endures. Such are the tendencies which the Convention meant to eradicate. Acts generative of such tendencies are adverse to the spirit of this clause, and there is a repugnance between them and the Constitution.

We come now to a more minute examination of the acts in question. The creditor is denied execution for 2 years, unless he agrees to take paper. What the debtor cannot tender, the creditor is not bound to receive. Whatever he is not bound to receive, he cannot be punished for refusing. The accessory is prohibited as well as the principal. Here the tender is not directly sanctioned. It is only said to the creditor, "If you will not take paper, give up the means of getting anything at all for 2 years, with the prospect of still longer delay by repeated acts of the legislature. Take this paper which I have no right to impose upon you, or give up a right which I have no authority to take from you." Suspension of execution is a penalty, if, but for the act, the creditor would be entitled to it as a right attached to his antecedent contract, and it is a penalty prohibited by the tenth section now under consideration. If the legislature has power at this day to enact a suspension of execution for refusing to take paper, that section is abrogated. Two years may be extended to a hundred, and where is the difference between a direct injunction to take paper and the injunction to wait 100 years, if he will not take it? Grant, for argument sake, that the right to execution is not an antecedent right, attached to the contract, but a newly created one, given by the legislature only upon condition. Shall it be permitted so to frame the condition as to make it involve the relinquishment of a right secured by the Constitution? By the latter the creditor is secured against paper money. Can he be required to relinquish that security in order that he may become entitled to the benefit of this newly created right, to have execution? By such inventions every constitutional right may in succession be bartered away. Constitutional rights are vested, unexchangeable, and inalienable. They belong to posterity as well as to the present generation. We may use and enjoy, but not transfer them; and every such condition is utterly void. If execution can be suspended on any condition, then the legislature has an absolute power to suspend it forever. How easy it is to invent a thousand conditions with which no man in his senses would comply! If the right is newly created, and the condition void, it must vest without the performance of the condition; and the result is that, if the right be antecedent, suspension is an unconstitutional penalty; if it be newly created, the condition is unconstitutional and the right vests absolutely. In either alternative, the endorsement need not be made.

This conclusion follows upon a correct interpretation of the clause prohibiting tender laws. It equally follows a just interpretation of the sentence prohibiting laws to impair the obligation of contracts, contained in article I, section 10, of the Constitution of the United States; and in article 11, section 20, of our Bill of Rights. A grant made by the State, being an executed contract, cannot be revoked by the legislature if pursuant to a law made by themselves; this point is so decided in *Fletcher* v. *Peck*. With respect to executory contracts, it will be admitted without controversy that the terms and conditions of them cannot be in any respect altered or interfered with by the legislature.

The time, place, person, or thing to be done cannot be changed by act of assembly. Covenants sometimes by ex post facto circumstances become unreasonably burthensome. He that covenants to pay rent for premises he never enjoys by the accidental burning of them must nevertheless pay the rent. A man agrees to perform a voyage by sea under a penalty by way of stated damages for noncompliance, and he is hindered from an exact compliance by adverse winds; still he must pay the penalty. In these and all other cases of contract, the legislature cannot interfere to make them more just or reasonable than the parties have made them. For thus no contract could be made that the parties might depend on for fear of the new modeling interposition of the legislature. Thus far is plain; but still the question remains, Is the suspension of execution within the prohibition? Does an act to suspend execution impair the obligation of contracts made before it? What the obligation of a contract is may be discerned by considering what it is that makes the obligation. The contract alone has not any legal obligation, and why? Because there is no law to enforce it. The contract is made by the parties, and if sanctioned by law, it promises to enforce performance should the party decline performance himself. The law is the source of the obligation, and the extent of the obligation is defined by the law in use at the time the contract is made. If this law direct a specific execution, and a subsequent act declare that there shall not be a specific execution, the obligation of the contract is lessened and impaired. If the law in being at the date of the contract give an equivalent in money, and a subsequent law say the equivalent should not be in money, such act would impair the obligation of the contract.

If the law in being at the date of the contract give immediate execution on the rendition of the judgment, a subsequent act, declaring that the execution should not issue for 2 years, would lessen or impair the contract equally as much in principle as if it suspended execution forever; in which latter case, the legal obligation of the contract would be wholly extinguished. The legislature may alter remedies; but they must not, so far as regards antecedent contracts, be rendered less efficacious or more dilatory than those ordained by the law in being when the contract was made, if such alteration be the direct and special object of the legislature, apparent in an act made for the purpose. Though possibly, if such alteration were the consequence of a general law and merely incidental to it, which law had not the alteration for its object, it might not be subject to the imputation of constitutional repugnance. The legislature may regulate contracts of all sorts but the regulation must be before, not after, the time when the contracts are made.

Our State constitution, article 11, section 7, ordains, "that all courts shall be open, and every man for an injury done him in his lands, goods, person, or reputation, shall have remedy by course of law, and right and justice administered without sale, denial, or delay." This clause relates to every possible injury which a man may sustain and which affects him in respect to his real or personal property, or in respect to his person or reputation, and includes the right which is vested in him to demand the execution of a contract; which being a personal right to a chattel, is when performance is denied or withheld, an injury to him in his goods or chattels. And with respect to it, right and justice is to be done, without sale, denial, or delay. In Magna Carta, this restriction is upon royal power; in our country it is upon legislative, and all other power. We must understand the meaning of that, notwithstanding any act of the legislature to the contrary, every man shall have "right and justice" in all cases "without sale, denial, or delay."

In 1796, when the Constitution was formed, it could not have been apprehended that any other department of government, except that of the legislature, would ever have weight enough to offer any obstruction. Experience from 1777 had fully demonstrated the imbecility of every executive office in the United States. From the executive no such offer could be anticipated. In 2d institute, 55, my lord Coke says, the king is the speaker, and in contemplation of law is constantly present in all his courts, pronouncing the words of Magna Carta "Nulli vendemus, nulli negabimus, aut differemus justitiam vel rectum." In Tennessee every legislature is in contemplation of law during the whole session, and the judge of every court during the whole term, in the constant repetition of the words "right and justice", must be "administered without sale, denial, or delay." In 2d institute, 56, justice is said to be the end and right the means whereby we may attain the end, and that is the law. What that means consists in is more specially explained in Sullivan, 523, where it is stated to be original and judicial process. Original process, he says, must issue without price, except that which the law fixes, and without denial, though the defendant be a favorite of the king or government, who interferes in his behalf, and must be proceeded on by the judges, after suit instituted upon it, without delay, themselves or by order of the king, or, as we say, act of the legislature. And the judges where the causes depend must issue the proper judicial process, without fee or reward, except that fixed by law. In other words, where judgment is rendered the judges shall cause execution to issue, notwithstanding any order or act of assembly or other pretended authority whatsoever.

This is the long-fixed, well-known meaning and legal construction of the words "right and justice without sale, denial, or delay." They clearly comprehend the case of executions suspended by act of the legislature in every instance where justice requires that it should immediately issue, as it manifestly does where the law, operating upon the contract when first made, held out to the creditor the promise of immediate execution after judgment.

* * * * * * *

The result, then, of the investigation we have made is this, that suspension of execution as directed by these acts of the legislature now under consideration, is forbidden by the prohibition of tender laws, as a direct consequence of the prohibition; also, by the interdiction to pass laws impairing the obligation of contracts, suspension or execution being an impairing of such obligation; and furthermore, by the declaration that justice and right shall be done, without delay in all cases, the process of execution being one sense of the term right, which is not to be delayed.

We are, therefore, bound to say that these acts are repugnant to the Constitution and void, so far as relates to the suspension of execution; and that execution ought to issue immediately without any such endorsement as the act requires. The judicial tribunals of the country must refuse sanction to acts which are to be executed through their agency, such as an act of suspension of execution is, which cannot take place without the assent of the court. There are some violations, which need not their instrumentality, and, of course, cannot meet their rejection, and which alone the great body of the people must correct. An occlusion of the courts of justice would be one of them. The courts cannot sit but on the days appointed by the legislature; and in that and other instances, the court having no agency, would have no responsibility. Wherever their cooperation is unconstitutionally required, it is the most sacred of all their duties to withhold it, and whenever they are found to want firmness to do so, the Constitution and public freedom die together.

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TAXATION OF INTOXICATING LIQUORS

Mr. HARRISON. Mr. President, I move that the votes by which House bill 6131 was ordered to a third reading and passed on yesterday be reconsidered.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Mississippi.

Mr. HEBERT. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Keyes	Robinson, Ind.
Ashurst	Costigan	King	Russell
Austin	Cutting	La Follette	Schall
Bachman	Davis	Lewis	Sheppard
Bailey	Dickinson	Logan	Shipstead
Bankhead	Dieterich	Lonergan	Smith
Barbour	Erickson	McAdoo	Steiwer
Barkley	Fess	McCarran	Stephens
Bone	Fletcher	McKellar	Thomas, Okla.
Borah	Frazier	McNary	Thomas, Utah
Brown	Glass	Murphy	Thompson
Bulkley	Goldsborough	Neely	Trammell
Bulow	Gore	Norris	Tydings
Byrd	Hale	Nye	Vandenberg
Byrnes	Harrison	O'Mahoney	Van Nuys
Capper	Hastings	Overton	Wagner
Caraway	Hatch	Patterson	Walsh
Carey	Hatfield	Pittman	Wheeler
Clark	Hayden	Pope	
Connally	Hebert	Reynolds	
Coolidge	Johnson	Robinson, Ark.	

Mr. LEWIS. I desire to announce that the Senator from Alabama [Mr. BLACK] is detained in a meeting of the special committee of the Senate to investigate ocean and air mail contracts.

I desire also to announce that the Senator from Washington [Mr. DILL] is detained on departmental matters; also, that the Senator from Wisconsin [Mr. DUFFY] is necessarily detained in connection with relief matters for his State; and that the Senator from Georgia [Mr. GEORGE] is temporarily absent attending to matters of importance in connection with his State.

I desire also to announce that the Senator from Kansas [Mr. MCGILL] is detained on important departmental matters.

Mr. HEBERT. I desire to announce that the following Senators are necessarily absent from the Senate: The Senator from Vermont [Mr. GIBSON], the Senator from Rhode Island [Mr. METCALF], the Senator from New Jersey [Mr. KEAN], the Senator from South Dakota [Mr. NORBECK], the Senator from Pennsylvania [Mr. REED], the Senator from Delaware [Mr. TOWNSEND], the Senator from Connecticut [Mr. WALCOTT], and the Senator from Maine [Mr. WHITE].

The VICE PRESIDENT. Eighty-one Senators have answered to their names. A quorum is present.

Mr. CLARK. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. CLARK. In the rear of the Chamber we were unable to hear the motion of the Senator from Mississippi.

The VICE PRESIDENT. The motion of the Senator from Mississippi is that the Senate reconsider the votes by which it ordered to a third reading and passed House bill 6131.

Mr. CLARK. Mr. President, I make the point of order that the bill having passed and conferees having been appointed, the motion to reconsider comes too late.

The VICE PRESIDENT. The attention of the Chair has been called to that suggested point of order.

It seems to the Chair that the philosophy of the rule is that, the bill having been sent to conference, a revocation of the action of the Senate would suspend the action of the conferees.

The Chair therefore overrules the point of order.

Mr. CLARK. If the Chair so rules, I move to lay on the table the motion of the Senator from Mississippi.

Mr. HARRISON. On that I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BULOW (when his name was called). On this question I have a pair with the senior Senator from New Jersey [Mr. KEAN] and withhold my vote.

Mr. FESS (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I transfer that pair to the senior Senator from Connecticut [Mr. WALCOTT] and will vote. I vote "yea."

Mr. LEWIS (when his name was called). I have a general pair with the Senator from Vermont [Mr. GIBSON]. Not knowing how he would vote on this question, I withhold my vote.

Mr. MCKELLAR (when his name was called). On this question I have a general pair with the Senator from Delaware [Mr. TOWNSEND]. I transfer that pair to the senior Senator from New York [Mr. COPELAND] and will vote. I vote "nay."

Mr. ROBINSON of Arkansas (when his name was called). I transfer my pair with the Senator from Pennsylvania [Mr. REED] to the Senator from New Hampshire [Mr. BROWN] and will vote. I vote "nay."

Mr. TYDINGS (when his name was called). On this question I have a general pair with the senior Senator from Rhode Island [Mr. METCALF]. I transfer that pair to the junior Senator from Kansas [Mr. MCGILL] and will vote. I vote "nay."

The roll call was concluded.

Mr. LEWIS. I desire to announce that the Senator from Alabama [Mr. BLACK] is detained in a meeting of the special committee of the Senate to investigate ocean and air mail contracts.

I desire also to announce that the Senator from Washington [Mr. DILL] is detained on departmental matters; also, that the Senator from Wisconsin [Mr. DUFFY] is necessarily detained in connection with relief matters for his State; and that the Senator from Georgia [Mr. GEORGE] is temporarily absent attending to matters of importance in connection with his State.

I desire also to announce that the Senator from Kansas [Mr. MCGILL], the Senator from Tennessee [Mr. BACHMAN], and the Senator from New Hampshire [Mr. BROWN] are detained on important departmental matters.

The Senator from New York [Mr. COPELAND] has been called to the White House, and is unable to be present on this vote.

The Senator from Montana [Mr. ERICKSON], the Senator from Virginia [Mr. GLASS], and the Senator from Idaho [Mr. POPE] are necessarily detained from the Senate on official business.

The result was announced—yeas 28, nays 45, as follows:

YEAS—28

Barbour	Davis	Hebert	Patterson
Bone	Dickinson	Johnson	Robinson, Ind.
Borah	Fess	McAdoo	Russell
Capper	Frazier	McCarran	Schall
Caraway	Goldsborough	McNary	Shipstead
Carey	Hastings	Norris	Steiwer
Clark	Hatfield	Nye	Vandenberg

NAYS—45

Adams	Cutting	Lonergan	Thomas, Okla.
Ashurst	Dieterich	McKellar	Thomas, Utah
Austin	Fletcher	Murphy	Thompson
Bailey	Gore	Neely	Trammell
Bankhead	Hale	O'Mahoney	Tydings
Barkley	Harrison	Overton	Van Nuys
Bulkley	Hatch	Pittman	Wagner
Byrd	Hayden	Reynolds	Walsh
Byrnes	Keyes	Robinson, Ark.	Wheeler
Connally	King	Sheppard	
Coolidge	La Follette	Smith	
Costigan	Logan	Stephens	

NOT VOTING—23

Bachman	Dill	Kean	Pope
Black	Duffy	Lewis	Reed
Brown	Erickson	Long	Townsend
Bulow	George	McGill	Walcott
Copeland	Gibson	Metcalf	White
Couzens	Glass	Norbeck	

So the Senate refused to lay Mr. HARRISON's motion on the table.

The VICE PRESIDENT. The question is on the motion of the Senator from Mississippi to reconsider the votes by which the Senate ordered to a third reading and passed House bill 6131.

Mr. CLARK. On that I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BULOW (when his name was called). Making the same announcement as on the previous vote, I withhold my vote.

Mr. LEWIS (when his name was called). I have a general pair with the Senator from Vermont [Mr. GIBSON]. Not knowing how he would vote on this question, I withhold my vote.

Mr. MCKELLAR (when his name was called). Making the same announcement as to my pair and transfer, I vote "yea."

Mr. ROBINSON of Arkansas (when his name was called). Announcing the same pair and transfer as on the previous vote, I vote "yea".

Mr. TYDINGS (when his name was called). Making the same announcement as before, I vote "yea."

The roll call was concluded.

Mr. HEBERT. I desire to announce that the following Senators are necessarily absent: Mr. GIBSON, Mr. METCALF, Mr. KEAN, Mr. NORBECK, Mr. REED, Mr. TOWNSEND, Mr. WALCOTT, and Mr. WHITE.

Mr. LEWIS. I wish to announce that the Senator from Alabama [Mr. BLACK] is detained in a meeting of a special committee of the Senate to investigate ocean and air mail contracts.

I wish also to announce that the Senator from Washington [Mr. DILL] is detained on departmental matters; also that the Senator from Wisconsin [Mr. DUFFY] is necessarily detained in connection with relief matters for his State, and that the Senator from Georgia [Mr. GEORGE] is temporarily absent attending to matters of importance in connection with his State.

I desire also to announce that the Senator from Kansas [Mr. MCGILL], the Senator from Tennessee [Mr. BACHMAN], and the Senator from New Hampshire [Mr. BROWN] are detained on important departmental matters.

The Senator from New York [Mr. COPELAND] has been called to the White House and is unable to be present on this vote.

The Senator from Montana [Mr. ERICKSON], the Senator from Washington [Mr. BONE], and the Senator from Idaho [Mr. POPE] are necessarily detained from the Senate on official business.

The result was announced—yeas 43, nays 30, as follows:

YEAS—43

Adams	Cutting	Logan	Smith
Ashurst	Dieterich	Lonergan	Stephens
Austin	Fletcher	McKellar	Thomas, Okla.
Bailey	Glass	Murphy	Thomas, Utah
Bankhead	Gore	Neely	Thompson
Barkley	Hale	O'Mahoney	Trammell
Bulkley	Harrison	Overton	Tydings
Byrd	Hatch	Pittman	Van Nuys
Byrnes	Hayden	Reynolds	Wagner
Coolidge	Keyes	Robinson, Ark.	Walsh
Costigan	King	Sheppard	

NAYS—30

Barbour	Dickinson	La Follette	Russell
Borah	Fess	McAdoo	Schall
Capper	Frazier	McCarran	Shipstead
Caraway	Goldsborough	McNary	Steiwer
Carey	Hastings	Norris	Vandenberg
Clark	Hatfield	Nye	Wheeler
Connally	Hebert	Patterson	
Davis	Johnson	Robinson, Ind.	

NOT VOTING—23

Bachman	Couzens	Kean	Pope
Black	Dill	Lewis	Reed
Bone	Duffy	Long	Townsend
Brown	Erickson	McGill	Walcott
Bulow	George	Metcalf	White
Copeland	Gibson	Norbeck	

So Mr. HARRISON's motion was agreed to.

The PRESIDENT pro tempore. The Senate having voted to reconsider the vote by which the bill was ordered to a third reading and passed, the bill is now before the Senate.

Mr. MURPHY. Mr. President, on the roll call on the second amendment offered by the Senator from Missouri [Mr. CLARK], relating to section 13 of House bill 6131, I voted in the affirmative. Inquiries since having convinced me that the amendment would tie the hands of the administration in negotiating reciprocity agreements, I desire now to move a reconsideration of the vote by which the amendment was agreed to.

The PRESIDENT pro tempore. The question is on the motion of the Senator from Iowa [Mr. MURPHY] to reconsider the vote by which the amendment offered by the Senator from Missouri [Mr. CLARK] was agreed to.

Mr. SHIPSTEAD. Mr. President, that motion is debatable, is it not?

The PRESIDING OFFICER. The motion is debatable.

Mr. SHIPSTEAD. I merely desire to state that on yesterday during the debate it occurred to me that there might be a conflict between this piece of legislation and the authority already granted to the President to bargain or deal in quotas with foreign countries. The matter did not come up yesterday in the debate, and I thought this matter ought to go to conference, where that part of it could be threshed out, to have the matter cleared up.

Certainly if the desire is to be able to use the power already granted to the President to facilitate the exportation of American products in return for quotas on liquor, that is an important matter, but on the spur of the moment, without having knowledge as to how it will affect the Executive power, I thought the matter ought to go to conference, where it could be discussed and properly weighed, to see whether it would have the ill effect we were told it would have. I

still think it ought to go to conference and will vote to send it there.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Iowa [Mr. MURPHY] that the vote by which the amendment offered by the Senator from Missouri [Mr. CLARK], on page 8, after line 17, was agreed to, be reconsidered.

Mr. HARRISON. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BULOW (when his name was called). On this question I have a pair with the senior Senator from New Jersey [Mr. KEAN], and therefore withhold my vote.

Mr. McKELLAR (when his name was called). I make the same statement I made on the previous vote with reference to my pair and its transfer and will vote. I vote "yea."

Mr. ROBINSON of Arkansas (when his name was called). Repeating the announcement made on the last vote, I vote "yea."

Mr. TYDINGS (when his name was called). Making the same announcement as before, I vote "yea."

The roll call was concluded.

Mr. LEWIS. I wish to announce that the Senator from Alabama [Mr. BLACK] is detained in a meeting of a special committee of the Senate to investigate ocean and air mail contracts.

I wish also to announce that the Senator from Washington [Mr. DILL] is detained on departmental matters; also that the Senator from Wisconsin [Mr. DUFFY] is necessarily detained in connection with relief matters for his State, and that the Senator from Georgia [Mr. GEORGE] is temporarily absent attending to matters of importance in connection with his State.

I desire also to announce that the Senator from Kansas [Mr. McGILL], the Senator from Tennessee [Mr. BACHMAN], and the Senator from New Hampshire [Mr. BROWN] are detained on important departmental matters.

The Senator from New York [Mr. COPELAND] has been called to the White House and is unable to be present on this vote.

The Senator from Montana [Mr. ERICKSON] and the Senator from Washington [Mr. BONE] are necessarily detained from the Senate on official business.

The result was announced—yeas 44, nays 31, as follows:

YEAS—44

Adams	Cutting	Logan	Sheppard
Ashurst	Dieterich	Lonergan	Smith
Austin	Fletcher	McKellar	Stephens
Bailey	Glass	Murphy	Thomas, Okla.
Bankhead	Gore	Neely	Thomas, Utah
Barkley	Hale	O'Mahoney	Thompson
Bulkley	Harrison	Overton	Trammell
Byrd	Hatch	Pittman	Tydings
Byrnes	Hayden	Pope	Van Nuys
Coolidge	Keyes	Reynolds	Wagner
Costigan	King	Robinson, Ark.	Walsh

NAYS—31

Barbour	Dickinson	La Follette	Robinson, Ind.
Borah	Fess	Lewis	Russell
Capper	Frazier	McAdoo	Schall
Caraway	Goldsborough	McCarran	Shipstead
Carey	Hastings	McNary	Steiwer
Clark	Hatfield	Norris	Vandenberg
Connally	Hebert	Nye	Wheeler
Davis	Johnson	Patterson	

NOT VOTING—21

Bachman	Couzens	Kean	Townsend
Black	Dill	Long	Walcott
Bone	Duffy	McGill	White
Brown	Erickson	Metcalf	
Bulow	George	Norbeck	
Copeland	Gibson	Reed	

So Mr. MURPHY's motion to reconsider was agreed to.

The PRESIDENT pro tempore. The question recurs on the amendment of the Senator from Missouri [Mr. CLARK].

Mr. CLARK. On that I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BULOW (when his name was called). On this question I have a pair with the senior Senator from New Jersey [Mr. KEAN], and therefore withhold my vote.

Mr. CAREY (when his name was called). On this question I have a pair with the junior Senator from Ohio [Mr. BULKLEY]. Not knowing how he would vote, I withhold my vote. If permitted, I should vote "yea."

Mr. LEWIS (when his name was called). I have a general pair with the Senator from Vermont [Mr. GIBSON]. Not knowing how he would vote upon this question, I withhold my vote.

I will further say that I am requested to announce that the senior Senator from Louisiana [Mr. LONG] was called back to the city of New Orleans, in the State of Louisiana, on official business. I report his absence, as I have been requested to do.

Mr. McKELLAR (when his name was called). I make the same statement as to my pair and its transfer as on the previous vote and vote "nay."

Mr. ROBINSON of Arkansas (when his name was called). Repeating my previous announcement as to my pair and its transfer, I vote "nay."

Mr. TYDINGS (when his name was called). Making the same announcement as before, I vote "nay."

The roll call was concluded.

Mr. CAREY. I transfer my pair with the junior Senator from Ohio [Mr. BULKLEY] to the senior Senator from Connecticut [Mr. WALCOTT] and will vote. I vote "yea."

Mr. HEBERT. I desire to announce that the following Senators are necessarily absent from the Senate:

The Senator from Vermont [Mr. GIBSON], the Senator from Rhode Island [Mr. METCALF], the Senator from New Jersey [Mr. KEAN], the Senator from South Dakota [Mr. NORBECK], the Senator from Pennsylvania [Mr. REED], the Senator from Delaware [Mr. TOWNSEND], the Senator from Connecticut [Mr. WALCOTT], and the Senator from Maine [Mr. WHITE].

Mr. LEWIS. I wish to announce that the Senator from Alabama [Mr. BLACK] is detained in a meeting of a special committee of the Senate to investigate ocean and air mail contracts.

I wish also to announce that the Senator from Washington [Mr. DILL] is detained on departmental matters, and that the Senator from Georgia [Mr. GEORGE] is temporarily absent attending to matters of importance in connection with his State.

I wish also to announce that the Senator from Kansas [Mr. McGILL], the Senator from Tennessee [Mr. BACHMAN], the Senator from New Hampshire [Mr. BROWN] are detained on important departmental matters.

The Senator from New York [Mr. COPELAND] has been called to the White House and is unable to be present on this vote.

The Senator from Montana [Mr. ERICKSON], the Senator from Washington [Mr. BONE] and the Senator from Ohio [Mr. BULKLEY], are necessarily detained from the Senate on official business.

The result was announced—yeas 30, nays 44, as follows:

YEAS—30

Barbour	Dickinson	La Follette	Russell
Borah	Fess	McAdoo	Schall
Capper	Frazier	McCarran	Shipstead
Caraway	Goldsborough	McNary	Steiwer
Carey	Hastings	Norris	Vandenberg
Clark	Hatfield	Nye	Wheeler
Connally	Hebert	Patterson	
Davis	Johnson	Robinson, Ind.	

NAYS—44

Adams	Dieterich	Logan	Sheppard
Ashurst	Duffy	Lonergan	Smith
Austin	Fletcher	McKellar	Stephens
Bailey	Glass	Murphy	Thomas, Okla.
Bankhead	Gore	Neely	Thomas, Utah
Barkley	Hale	O'Mahoney	Thompson
Byrd	Harrison	Overton	Trammell
Byrnes	Hatch	Pittman	Tydings
Coolidge	Hayden	Pope	Van Nuys
Costigan	Keyes	Reynolds	Wagner
Cutting	King	Robinson, Ark.	Walsh

NOT VOTING—22

Bachman	Copeland	Kean	Reed
Black	Couzens	Lewis	Townsend
Bone	Dill	Long	Walcott
Brown	Erickson	McGill	White
Bulkley	George	Metcalf	
Bulow	Gibson	Norbeck	

So Mr. CLARK's amendment was rejected.

The PRESIDENT pro tempore. If there be no further amendment, the bill will be read a third time.

The bill was ordered to a third reading and read the third time.

The PRESIDENT pro tempore. Having been read the third time, the question is, Shall the bill pass?

The bill was passed.

Mr. HARRISON. I ask that the order entered yesterday asking for a conference with the House on the bill and amendments and appointing of conferees be rescinded.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and the order is rescinded.

OHIO FALLS PROJECT—OPINION OF FEDERAL POWER COMMISSION

Mr. NORRIS. Mr. President, I have here an opinion rendered by the Federal Power Commission, delivered by its chairman, in the matter of determination of actual legitimate original cost of Ohio Falls project no. 289, Kentucky, and also an editorial printed in the Washington Herald, December 20, 1933, entitled "Curbing the Power Trust", on the same subject. I ask that they may be printed in the CONGRESSIONAL RECORD.

There being no objection, the opinion and editorial were ordered to be printed in the RECORD, as follows:

FEDERAL POWER COMMISSION,
Washington.

OPINION NO. 11, OCTOBER 31, 1933

LOUISVILLE HYDRO-ELECTRIC CO., LICENSEE

In the matter of: Determination of actual legitimate original cost of Ohio Falls project no. 289, Kentucky—opinion:

Syllabus

1. A contract for exclusive construction and other services by the service company of a system to a public utility, both under common control, involves one of the most obnoxious practices of the holding company device, and the Federal Power Commission, in determining the cost of a licensed project, must closely scrutinize such contract and the conditions under which it was made.

2. Where there is common control of the service company and the operating company, the two being virtually departments of an integrated system, with the power implicit therein arbitrarily to dictate contracts and fix charges for services, the Commission must disregard the contract and demand evidence of the cost to the service company of the services rendered. Under the Federal Water Power Act the allowable cost to the licensee for construction and other service can be no more than the cost of such service to the service company under common control with licensee.

3. The Federal Water Power Act forbids the Commission to allow other than actual legitimate original cost of the construction of the project. The cost must be (1) actual, that is, real and bona fide, as distinguished from fictitious or fabricated, whether by intercorporate dealings or otherwise; and (2) legitimate, meaning not coerced, collusive, fraudulent, or unreasonable; and (3) original, as excluding elements of subsequent enhancement, profit, or accretion.

4. Where there is common control it is not sufficient to show that the prices for services are no higher than obtainable elsewhere, but the burden is upon the licensee to show the actual cost to the service company. And having, by intercorporate contract, destroyed the open market, licensee cannot appeal to the standard of the open market by which to measure the value of the services rendered in a closed market. Furthermore, in determining the cost of services, the market value of such services does not measure their cost within the meaning of the Federal Water Power Act.

5. Where the majority interest imposes a monopolistic service contract on a licensee through system control, it has no right to complain that the minority shares in the alleged economies which result from such involuntary servitude of the minority interests.

6. Officers of a public utility corporation who are at the same time officers of a private service corporation are under the duty, when acting in such dual capacities, in the making of a service contract, to discharge the primary obligation they owe as trustees or agents of the consuming public. They are forbidden, by law, to negotiate or consent to an intercorporate contract imposing unnecessary costs upon the utility, carrying a profit to the private corporation in which they may participate as officers, stockholders, or otherwise.

7. It is the duty of the licensee to keep its accounts in conformity to the Commission's accounting rules and if failure to do so makes it impossible to furnish evidence of cost, such failure to obey the law is not a satisfactory answer to the plain requirement of the statute.

8. The burden is upon licensee to furnish satisfactory evidence from which the actual cost can be ascertained, and the results of an audit made by the Federal Trade Commission for another purpose, and upon other principles, is not acceptable as a substitute.

9. In determining the cost of services rendered by a private service company to the licensee, a public utility, both being under common control, the Commission should have submitted to it satisfactory evidence as to all elements of cost, including salaries paid, and bonuses, if any, to the officers and directors of the service company, and also to show whether there was any duplication of such payments to individuals serving as officers of both companies.

10. Money paid by licensee under a contract between it and an affiliated construction company to guarantee the latter a percentage fee and to reimburse for a loss sustained under a contract with the Government for the construction of a dam, which is not a part of the project works, is not a proper part of the cost of the licensed power project.

11. The evidence of alleged benefits to licensee offered in justification of its claim for reimbursement of an affiliated service company for loss on a Government dam is too conjectural and speculative, as the Commission cannot appraise the value of things which might conceivably have happened under circumstances which could have existed, but did not.

12. The date when the project is available for operation is the date when in the course of due diligence the project has been sufficiently completed to be reasonably reliable and available for service.

13. Interest at the rate of 6 percent is allowable on construction costs during the construction period, under the circumstances shown in this case.

14. Attorneys' fees are allowable as a part of the cost of the project, but where the attorneys are the legal department of an affiliated service company having a contract with the licensee for construction and other services, fees for services rendered by the legal department at the home office must be disallowed, as they are provided for in the construction contract.

15. Expenditures for aeroplane photography and motion pictures of the project during various stages of its construction cannot be allowed as a part of the actual legitimate cost, since the benefit thereof to the particular project does not appear.

16. The cost of a banquet is not an appropriate or proper part of the cost of a public-utility project. To approve such an expenditure might open the door to good-will advertising at the cost of the consuming public.

17. The reasonable cost of an outdoor observation platform and salaries to guides for the protection of visitors are properly allowable as legitimate costs, since the licensee is under a duty to provide reasonable means for the protection of the public against injury.

18. Expenses for the convenience and entertainment of visitors, such as transportation, lunches, and soft drinks, are not allowable as costs of the project, as the licensee owed no such duty to visitors.

19. While licensee is entitled to a compensatory rental on its nonproject lands actually and necessarily used for construction purposes, it is not entitled to a rental above interest and carrying charges on its own lands used to construct its own project.

20. Expenses of employees of the construction company attending conventions are not allowable as a part of the cost of the licensee's project.

Appearances: Cummins, Hagenah, and Flyn; William J. Hagenah and Paul Reiss, attorneys for licensee.

H. B. Teegarden, solicitor for the Commission.

McNinch, chairman: This case involves the determination of the cost of a hydroelectric project on the Ohio River in the city of Louisville, Ky. The preliminary permit was granted December 4, 1923, and the license was issued November 11, 1925, to the Louisville Hydro-Electric Co., a Delaware corporation, organized in 1922. The project consists of a power house and appurtenant equipment therein, at United States Dam No. 41, a substation and other works and facilities, including the necessary land.

In conformity to the Federal Water Power Act (41 Stat. 1063; U.S.C., title 16, secs. 791–823) the licensee filed a verified statement, in detail, of the cost of this project as of May 1, 1928, later adjusted to November 30, 1929. The total cost claimed is $7,829,738.72. Commission examiners, Harold Tomlin and Raymond M. Lindsay, audited the records of licensee and submitted a preliminary accounting report thereon which was examined and approved by the Commission's chief accountant, William V. King. This report recommended for allowance certain items of cost and suspended other items for adjustment or disallowance, after special consideration by the Commission. Under the Commission's rules of practice, a copy of this report was served upon licensee, which, in due time, filed its protest to the suspension of said items and requested a hearing thereon.

A hearing was held and upon the record, including the license and an amendment, statement of cost filed by licensee, preliminary accounting report, licensee's protest, such of the stipulations between the solicitor for the Commission and counsel for the licensee as were approved by the Commission, the evidence and exhibits introduced at the hearing, and briefs by counsel for licensee and by the solicitor, the Commission approves and

allows $6,996,093.52 as the actual legitimate original cost of the project as of November 30, 1929, and rejects and disallows $833,645.20, the balance of the licensee's claim.

The Commission's allowances and disallowances of the numerous cost items appear in a separate order determining cost, but some of these items involving interpretations of the act and administrative policies require discussion.

FEE ON COST OF CONSTRUCTION

The licensee claims $481,533.48 as part of the cost of construction, representing a 7½-percent fee paid to the Byllesby Engineering & Management Corporation (hereinafter referred to as the Byllesby Service Co.), under a contract for engineering, accounting, purchasing, and other services. The Commission has approved the reimbursement of the Byllesby Service Co., at cost, for direct services and purchases of materials, etc., as provided for in said contract.

(1) The question here at issue is the allowance of the 7½-percent fee as part of the actual legitimate original cost of the project. The decision of this question necessarily involves scrutiny of an intercorporate contract whereby the Byllesby Service Co., the service organization of the system, performed services for and received this flat percentage fee from the licensee, an affiliated company, both companies being under common control. This intercorporate service contract between the licensee, a public utility subject to regulation, and the Byllesby Service Co., a private corporation, not subject to regulation or any limitation on profits, presents one of the most insidious, grievous, and obnoxious practices of the holding company device or system. Such service charges demand searching inquiry of the conditions under which the contract was negotiated, and of profits resulting from such payments by one affiliate company to another, to prevent collusive inflation of the capital structure of the operating utility. Such inflation would be reflected in rates to consumers and would increase the recapture price to be paid for the project by the Federal Government, a State, or municipality, thus directly affecting the pubic interests which this Commission was created to protect.

The common control of the two parties to the contract is undisputed. These two companies are units in a great utility system[1] of which H. M. Byllesby Co. is the top holding company, controlling many other operating companies not directly involved in the instant case. This top holding company owns and controls the Standard Gas & Electric Co. (hereinafter called the Standard Co.), a subsidiary holding company; the Standard Co. owns all of the stock of and controls the Byllesby Service Co.; and also controls, indirectly, the licensee, through the Louisville Gas & Electric Co., of Delaware (distinct from another subsidiary of the same name, a Kentucky corporation), which in turn owns all of the stock of the licensee, the Louisville Hydro-Electric Co. The licensee further admits that it and the Byllesby Service Co. are dominated by common directors.

The Byllesby Service Co. is the managing, directing, constructing, and service agency of the entire Standard system. In 1925, when the contract was made under which the fee is claimed, nearly all of licensee company officers were also officers of the Standard Co., the Byllesby Service Co., and the said Louisville Gas & Electric Co.; and officers and directors of the Byllesby Service Co. constituted a majority of the directors of the other three companies. It is a telltale circumstance that M. A. Morrison, who, as vice president for the Byllesby Service Co. executed the fee contract under consideration, was at the time a director, assistant secretary, and assistant treasurer of the Louisville Hydro-Electric Co., licensee, and vice president and assistant secretary of its immediate owner, said Louisville Gas & Electric Co., and a director and secretary and treasurer of the Standard Co., which owned a majority of the stock of and controlled the Louisville Gas & Electric Co. Further, that Halfred Erickson, who executed the contract as vice president of the licensee company, was at the time a director and vice president of the Byllesby Service Co., the other party to the contract, and a director of each the Standard Co. and Louisville Gas & Electric Co. It is further noted that William C. Pohl who attested the contract, as assistant secretary for the Byllesby Service Co., was also assistant secretary and treasurer of the Standard Co.; and that Herbert List, who attested the contract as assistant secretary for the licensee company, held a corresponding position with each of the three other companies, including the other party to the contract, the Byllesby Service Co. Whatever else this may indicate, it must be granted that here is the maximum of convenience and simplicity in the negotiation and execution of contracts, assuming that each officer could remember the particular company for which he was acting.

The following chart, made from evidence of record, graphically shows the completeness and harmony of control:

Officer	Standard Gas & Electric Co.	Byllesby Engineering & Management Corporation	Louisville Gas & Electric Co., Delaware	Louisville Hydro-Electric Co.
J. J. O'Brien	President	President	President	President.
R. J. Graff	Vice president	Vice president	Assistant secretary and assistant treasurer.	Assistant secretary and assistant treasurer.
Halfred Erickson	----------	do	Vice president	Vice president.
F. C. Gordon	Vice president	----------	do	do
George H. Harries	do	Vice president	----------	
B. W. Lynch	do	do	Vice president and assistant treasurer.	
M. A. Morrison	Secretary-treasurer.	do	Vice president and assistant secretary.	Assistant secretary and assistant treasurer.
Herbert List	Assistant secretary and assistant treasurer.	Assistant secretary and assistant treasurer.	Assistant secretary and assistant treasurer.	do
Wm. G. Pohl	do	Assistant secretary.	----------	

The record also shows substantially the same condition as to common directorates, which authorized and later ratified the fee contract.

Upon these admitted facts there is no room for quibble or doubt that licensee had no independence of action, but that decisions made by licensee operating company and the Byllesby Service Co. were made by the same group of men, acting in dual, triple, and quadruple capacities, responsive primarily to the holding and controlling interests. This corporate "family" control was so complete in fact and limited in personnel as to require but 1 room, 1 table, 1 small group of men at 1 point of time to dictate on behalf of the pater familias as an offer by 1 member and an acceptance by another. The service contract in question is monopolistic, requiring the exclusive employment by the operating company of the Byllesby Service Co. for a term of 10 years, and provided for a profit to be paid by licensee, a public utility, for the benefit of a private holding company, into whose treasury every dollar of the profits extorted from the operating company is siphoned through the holding company's wholly-owned service company. So complete was the reliance on this control, the contract for the construction service, running into several millions of dollars, was not entered into until April 15, 1926, prior to which time a large amount of the work for which this fee is claimed had already been done. Contrary to business custom, the officers and directors of the licensee, acting in their capacity for that company, found it unnecessary to have the contract in advance of beginning work to guard against misunderstanding or unreasonable and arbitrary charges, since they were dealing with themselves, under the guise of another corporation. To ask the Commission to find that in the making of this fee contract there was any arm's-length bargaining, or real independence of action on the part of the licensee, assaults the credulity of the Commission beyond reason. Experience has abundantly proved that a man cannot serve two masters equally well in a trade nor will he often turn his back on his paymaster.

(2) In making a determination of the actual legitimate original cost of the project constructed under this contract, the Commission is not blinded by legal technicalities nor misled by attenuated theories. Where there is admitted control of both the licensee and the service company and where, as here, the two companies are virtually departments of an integrated system, the Commission must, under the provisions of the Federal Water Power Act, disregard the contract and hold that cost to the licensee can be no more, though it may under certain circumstances be less, than the cost of such service to the service company. Since the relationship of these two companies so unmistakably points to the existence of a super-imposed power arbitrarily to dictate contracts and fix charges for services, the Commission cannot be bound by the terms of such contract, but must demand evidence of the cost to the Byllesby Service Co. of the services rendered. *Smith* v. *Illinois Bell Tel. Co.*, 282 U. S. 133 (1930); *Western Distributing Co.* v. *Public Service Commission of Kansas*, 285 U.S. 119 (1932); *Wichita Gas Co.* v. *Public Service Commission of Kansas*, 2 F. Supp. 792 (1932).

In *Smith* v. *Illinois Bell Telephone Co., supra*, a similar situation was presented to the court. There the utility sued to enjoin as confiscatory an order of the Illinois commission to lower telephone rates in the city of Chicago. The Illinois company purchased, in large part, its supplies from the Western Electric Co., a manufacturing subsidiary of the American Telephone & Telegraph Co., and also paid to the latter company a fee of 4½ percent of its gross revenue for rental of instruments and for engineering, financial, and other services. The American Telephone & Telegraph Co. owned both the contracting companies; and the Commerce Commission contended that the charges paid were excessive and should not be allowed as an expense in computing rates, without a further showing of actual cost. The Supreme

[1] The Holding Company, Bonbright and Means, 1932, pp. 114–115.

"This great system (H. M. Byllesby Co.) involves the most complicated holding-company set-up with which the writers are familiar. The underlying holding company is the Standard Gas & Electric Co., a pure holding company whose subsidiaries supply electric, gas, steam heating, telephone, water, or transportation service in 1,648 communities located in 20 States. At the end of 1930 it served 1,617,414 customers. * * * The growth of the system in recent years has been most rapid. In 1924 the total electric power generated by the system amounted to 1,414,000,000 kilowatt-hours, or 2.6 percent of the commercial total for the country. By 1930 this had increased to 4,594,000,000 kilowatt-hours, or 5.2 percent of the national total. In itself, this company represents the more or less 'normal' holding-company pyramid, the Standard Gas & Electric Co., with assets of $319,000,000 in 1930, controlling subsidiaries with assets of $1,200,000,000. But on top of this typical holding company is a corporate organization which defies simple analysis. * * *"

Court sustained this contention of the Commission. Because of the relationship between the corporations the Court ruled that:

"The point of the appellants' contention is that the Western Electric Co., through the organization and control of the American Co., occupied a special position with particular advantages in relation to the manufacture and sale of equipment to the licensees of the Bell system, including the Illinois company, that is, that it was virtually the manufacturing department for that system, and the question is as to the net earnings of the Western Electric Co. realized in that department and the extent to which, if at all, such profits figure in the estimates upon which the charge of confiscation is predicated. We think that there should be findings upon this point."

And concerning the gross fee paid the American Co., the Court said:

"There should be specific findings by the statutory court with regard to *the cost of these services to the American Co.* (italics ours) and the reasonable amount which should be allocated in this respect to the operating expenses of the intrastate business of the Illinois Co. in the years covered by the decree."

In the instant case, the Byllesby Service Co., through the control of it and the licensee by the Standard company, "occupied a special position with particular advantages" in rendering services to licensee as it was not only virtually the service department of the system, but was assured all of the construction and service business of licensee.

The issue was again raised in *Western Distributing Co.* v. *Public Service Commission of Kansas*, supra. In that case the utility sued to enjoin the enforcement of natural-gas rates by the commission for Eldorado, Kans., as being inadequate. Involved in the computation of the rate was a contract whereby the Western Distributing Co. purchased its gas for 40 cents per 1,000 cubic feet at the city gate from the Cities Service Gas Co. In affirming the denial of the injunction the Supreme Court in an opinion by Mr. Justice Roberts, pointed out that to establish a proper rate—

"necessarily required a determination of the question whether the price paid for the gas distributed is fair and reasonable. To this end the commission insists upon its authority to make such investigation as will satisfy it upon this point.

"Having in mind the affiliation of buyer and seller and the unity of control thus engendered, we think the position of the appellees is sound, and that the court below was right in holding that if appellants desired an increase of rates it was bound to offer satisfactory evidence with respect to all the costs which entered into the ascertainment of a reasonable rate. * * * There is an absence of arm's-length bargaining between the two corporate entities involved, and of all the elements which ordinarily go to fix market value. The opportunity exists for one member of the combination to charge the other an unreasonable rate for the gas furnished and thus to make such unfair charge in part the basis of the retail rate * * *.

"Where, * * * they constitute but a single interest and involve the embarkation of the total capital in what is in effect one enterprise, *the elements of double profit and of the reasonableness of intercompany charges* must necessarily be the subject of inquiry and scrutiny before the question as to the lawfulness of the retail rate based thereon can be satisfactorily answered. (Italics ours.)

"It is enough to say that, in view of the relations of the parties and the power implicit therein arbitrarily to fix and maintain costs as respects the distributing company which do not represent the true value of the services rendered, the State authority is entitled to a fair showing of the reasonableness of such costs, although this may involve a presentation of evidence which would not be required in the case of parties dealing at arm's length and in the general and open market, subject to the usual safeguards of bargaining and competition."

In Kansas there was an immediate sequel to the Western Distributing case in *Wichita Gas Co.* v. *Public Service Commission of Kansas*, supra, to which the Western Distributing Co. and several other Cities Service companies were parties. The Kansas commission had disallowed entirely a fee of 1¾ percent to H. L. Doherty & Co. on the ground that the fee contract provided for services which, if performed, would be a duplication of services rendered by the Gas Service Co. (an intermediary Doherty holding and service company) under a contract approved by the commission, and for the reason that the company had failed to carry the burden of showing that such charges were fair and reasonable.

The court sustained the commission and said:

"We are of the opinion that the burden of proof, both under the Kansas statute and under general principles, was upon the distributing companies."

The Kansas statute referred to (secs. 74–602c, 1931 sup. R.S. Kans. 1923) is as follows:

"Showing required for fixing or charging rates: In ascertaining the reasonableness of a rate or charge to be made by a public utility, no charge for services rendered by a holding or affiliated company, or charge for material or commodity furnished or purchased from a holding or affiliated company, shall be given consideration in determining a reasonable rate or charge unless there be a showing made by the utility affected by the rate or charge as to the *actual cost to the holding or affiliated company furnishing such service and material or commodity.* (Italics ours.) Such showing shall consist of an itemized statement furnished by the utility setting out in detail the various items, cost for services rendered, and material or commodity furnished by the holding or affiliated company."

Section 4 (a) of the Federal Water Power Act provides that "in order to aid the Commission in determining the net investment of a licensee in any project, the licensee shall, upon oath, * * * file with the Commission, in such detail as the Commission may require, a statement in duplicate showing the actual, legitimate cost of construction of such project, * * *." And section 3 defines "actual legitimate original" cost as a component part of net investment.

(3) The principle and doctrine laid down by the Supreme Court in the Illinois Bell and the Western Distributing cases, supra, apply to the instant case with even greater force for the reason that the Federal Water Power Act forbids the Commission to allow other than the actual legitimate original cost of the construction of the project, whereas such statutory provision was involved in the cited cases.

The Commission interprets this triple statutory limitation to mean that the cost must be (1) actual; that is, real and bona fide, as distinguished from fictitious or fabricated, whether by intercorporate dealings or otherwise; and (2) legitimate, meaning not coerced, collusive, fraudulent, or unreasonable; and (3) original, as excluding elements of subsequent enhancement, profit, or accretion. Pursuant to this and other provisions of the statute, the Commission must "pierce the veil" and find the cost to the Byllesby Service Co. in determining the cost to the licensee.

(4) No evidence was introduced as to the cost to Byllseby Service Co. of construction work, but as to the question of the reasonableness of the 7½ percent charged the licensee by the service company under the contract, the licensee introduced evidence purporting to prove that the 7½ percent on the cost of the project represented no more, and possibly less, than the market value of such services. Where there is common control it is not sufficient merely to show that the prices are no higher or are even less than obtainable elsewhere, for such evidence was offered in *Western Distributing Co.* v. *Public Service Commission of Kansas* (285 U.S. 119) and held insufficient to prove the reasonableness of a charge. The reasons against accepting the rule of "market value" are even stronger in the instant case where the pertinent issue is: "What is the cost within the meaning of the statute of the services rendered to the licensee?" In *Smith* v. *Illinois Bell Telephone Co.*, supra, the court, because of the interrelationship, demanded to know the cost to the holding company of the services rendered as a factor in the determination of the reasonableness of the fee paid. And in the Western Distributing Co. case the court clearly placed the burden of proof as to this cost upon the utility. This would seem definitely to exclude market value as a measure for the service rendered, for manifestly market value is not cost.

Furthermore, there can be no such thing as "market value" under the circumstances in the instant case. Here the Byllesby Service Co. has the exclusive and monopolistic control of the construction and service work of the companies of the system. It can calculate on its volume of business, can rationalize its activities, can economize in volume purchasing, and otherwise effect economies which might not be available to an independent contractor bidding in a free market. In the very nature of things the Byllesby Service Co. was doing business in a closed market. Having destroyed the open market, insofar as the services here involved are concerned, it cannot be heard to appeal to the standard of an open market by which to measure its charge for services to its affiliate. For Byllesby Service Co. to have denied licensee the right to an open market on bids was an arbitrary act and invites no intervention to correct its own wrong.

(5) Counsel for the licensee contend, however, that inasmuch as the Standard Co. owned only a majority of the stock of the said Louisville Gas & Electric Co. (which owned all of the stock of the licensee), it is not within the reason or the rule of *Smith* v. *Illinois Bell Telephone Co., supra.* It is argued that to limit the charges of the service company to cost for services rendered the licensee would be to give the minority interest an undue advantage through the benefits of the services at cost. When the majority interest imposes a monopolistic service contract on licensee through system control, it has no right to complain that the minority shares in the alleged economies which result from such involuntary servitude of the minority interests. Indeed, it is not unreasonable to assume that the minority stockholders were content to submit to the Standard Co. control, in the hope and expectation that the said Louisville Gas & Electric Co. would benefit by being a part of the "system." Furthermore, the control exercised through the majority over this company enabled the Byllesby Service Co. to command an assumed market for its services with the licensee company. This reduced the proportionate amount of overhead to be allocated to each company of the whole system just as much as though the said Louisville Gas & Electric Co. were a wholly owned subsidiary of the system; and since that company contributed equally to the system scheme through the licensee it should benefit equally with the wholly owned companies.

The contract that was imposed upon the licensee was similar in form to those used by the Byllesby Service Co. for its other affiliated "clients" from the time of its inception. Prior to 1919 the engineering and management services now performed by the Byllesby Service Co. were performed for the Standard system by H. M. Byllesby Co., which caps the Standard pyramid. The H. M. Byllesby Co. also rendered financial services, marketed securities, and participated in syndicates on behalf of the companies controlled. In 1918 H. M. Byllesby Co. decided to confine its business to investment banking. At that time it had heavy holdings in the Standard Co. and turned over to it the profitable managerial, engineering, and construction business along with the organization to carry it on.

The transfer or gift was made as of January 1, 1919, although the formal offer and acceptance were not effected until March 5, 1919. In June 1919 the Standard Co. caused to be incorporated the present Byllesby Service Co. It turned over the business it had received from H. M. Byllesby Co. at a price set at $1,000,000 payable in the form of 100,000 shares of the new corporation's capital stock. In its balance sheets the new corporation credited its capital stock at $1,000,000 and set up as a balancing asset "property contracts" for $1,000,000. Although "property contracts" were thus set up, an audit made by the Federal Trade Commission, hereinafter referred to, shows no formal contracts executed before September 1, 1921, more than 2 years thereafter.

The H. M. Byllesby Co. had been charging a management fee of 1¾ percent and an engineering fee of 7½ percent, and this practice was continued by the management-engineering corporation organization after it was transferred to the Standard Co. and then to the Byllesby Service Co. In 1921 the Standard Co., in a collateral trust agreement securing an issue of bonds, pledged all of the 100,000 shares of the Byllesby Service Co. and that company's engineering and management contracts with 12 subsidiaries of the Standard Co. The only subsidiary not included in the collateral list was said Louisville Gas & Electric Co. These contracts were all dated September 1, 1921, and cover a period of 21 years, expiring August 31, 1942. A special form of contract was entered into with the licensee (exhibit D, preliminary accounting report), the general features being the same, however, as in the form contract for the other subsidiaries.

The fees collected under these contracts proved highly profitable to the Byllesby Service Co. The Federal Trade Commission audit shows that for the years 1922–27 the total gross income for the company for all services aggregated $22,244,044.45, while the operating expenses were $11,449,091.28, leaving a net income of $10,794,953.17, or a profit of 98.5 percent on the cost of rendering the services. For the engineering department in the same years the total gross income was $6,820,142.98, while the total operating expenses aggregated $4,439,396.62, leaving a net income of $2,380,-764.35, a profit of 53.62 percent on the cost of this service.

Such profits resulting from holding-company control and intercorporate contracts are not only unreasonable but shocking, when considered in the light of their direct influence upon a business affected with a public interest. The public utility does not stand in a competitive field in which a customer may exercise a free opportunity in an open market to buy where he can buy at the lowest price; it is a business monopolistic in character, where there are many customers but only one vendor, a vendor who is not subject to the restraint of competition in the sale of that which is a necessity, and who, unless restrained by the regulative power of government, may charge its helpless customers what the traffic will bear. Insofar as the holding company may be able to accentuate this natural disadvantage in which the consumer finds himself in dealing with the operating utility, the policies of such holding company are not equitably free from public scrutiny, judgment, and criticism. Abuse by a private unregulated corporation of the exercise of the power of control to collect excessive toll from an operating public utility is a gross injustice to the public which pays the bill. Such intercorporate profits have no proper place in the cost or capital investment structure of a public utility operating company. This is doubly true where the operating company is a company bound by Federal statute to a capital structure limited to net investment.

The Byllesby Service Co. furnished for these extraordinary profits only services provided by the personnel of the management group. There was no substantial investment upon which to earn a return. It took no risk. It constructed on a cost-plus basis. It purchased materials and supplies for licensee's account. The finances of licensee being under system control, there were no losses incident to bad debts, delay in collecting, disputes, or law suits.

(6) Upon its incorporation, the Service Co.'s sole asset, capitalized as a round million dollars, was the artificial value implicit in its connections and ability, through a small group of men, in their fiduciary capacity as directors of operating companies, to guarantee profitable business. Officers and directors of a quasi-public corporation, in contracting with themselves in another corporate capacity for services where the gain of one may be the loss of another, must be actively cognizant of their duty in fact as well as in law to act as a trustee charged with administering the trust equitably in the interest of the consuming public. This dealing with themselves by directors and executives on behalf of their cooperating companies can only be justified, if at all, on the ground that in their capacity as managers of the Service Co. they can and do achieve greater economy and service for the operating company than if they restricted themselves to their capacity as managers of only the operating company. Hence, they owe an active, positive duty as officers of the operating company to perform or purchase the greatest service at the greatest economy. And it follows that the savings achieved by such actions should redound to the operating companies on whose behalf they have been employed.

This is not a new doctrine. The law is well settled that officers and directors must not overlook the fiduciary duties they owe to their corporations when dealing with themselves in another corporate capacity. (*Geddes* v. *Anaconda Mining Co.*, 254 U.S. 590 (1921); *Twin Lick Oil Co.* v. *Marbury*, 91 U.S. 587 (1875); *Wardell* v. *Railroad Co.*, 103 U.S. 651 (1880)). Passive acquiescence by independent stockholders in the contracts of the management made with its own corporation does not excuse those in control from their duty to protect the public interest. For officers and directors of utilities, such as the licensee, hold positions of trust as quasi-public officers not only to the stockholders but to the public they serve. (*Moody* v. *Kell*, 235 Fed. 86 (1916); *Cook* v. *Sherman*, 20 Fed. 167 (1882)). Furthermore, they are forbidden to negotiate construction contracts with their corporations which are adverse to the public interest as well as to that of the stockholders of the corporation. As early as 1888, in *Woodstock Iron Co.* v. *R. and D. Extension Co.* (129 U.S. 643), the Supreme Court said:

"Corporations, it is true, formed for their (railroad) construction are private corporations; but whilst their directors are required to look to the interests of their stockholders, they must do so in subordination to and in connection with the public interest, which they are equally bound to respect and subserve. All arrangements, therefore, by which directors or stockholders or other persons may acquire gain, by inducing those corporations to disregard their duties to the public, are illegal and lead to unfair dealing. * * *"

(7) In reply to the demand of the Commission for evidence as to the costs, the licensee contends that it is not possible to furnish evidence upon which to determine the actual costs to the Byllesby Service Co. for the specific services rendered to the licensee, except as those costs are reflected in the over-all operating costs and operating revenues as shown by its books for its engineering department, which rendered the bulk of the services under the fee contract. That the licensee may, through failure to obey the law, find it impossible to furnish such evidence of cost is not a satisfactory answer to the mandatory requirement of the statute, of which not only the licensee but the Byllesby Service Co. and all parties interested, through affiliation or otherwise, are charged with notice. This project was licensed under the provisions of the Federal Water Power Act and by the specific terms of the license all the provisions of the act are incorporated therein. Among these provisions is the requirement that the licensee shall keep accounts in conformity to the Commission's "system of accounts prescribed for licensees under the Federal Water Power Act", issued November 20, 1922, 3 years prior to issuance of license. If licensee and its affiliated service company had conformed to the plain requirements of the statute, the license, and the Commission's accounting rules, it would have been a simple and easy procedure to submit to the Commission satisfactory evidence as to these costs. This is a proper burden cast upon the licensee by the statute (*Cf. Western Distributing Co.* v. *Public Service Commission of Kansas*, supra).

(8) As a substitute for evidence of actual cost, the licensee proposed, through its counsel, in a stipulation entered into with Solicitor for the Commission, subject to the approval of the Commission, that for the engineering department of the Byllesby Service Co. the Commission should find the average ratio of total expense to total gross income was 65.09 percent, and that this operating ratio indicates the relation of cost to income for the department; and it was further proposed to apply this ratio to the fee paid by the licensee to determine the cost of the services rendered. The ratio was obtained by an analysis of the accounts of the Byllesby Service Co. for the years 1922–27, as shown in an audit and report of the Federal Trade Commission, made pursuant to Senate Resolution 83, Seventieth Congress, first session, directing investigation of certain utility corporations.

The Commission is of the opinion that it cannot accept this substituted or secondary evidence, involving a substantial amount of money, and, what is more important, an avoidance of the statutory requirements of more exact and direct proof. No question is entertained as to the accuracy of the Federal Trade Commission's audit; but that Commission derives its authority from, and its duties are defined by, a statute different in terms, intent, and purpose from the Federal Water Power Act. Its audit, made for a different purpose, does not show certain important facts required by the Federal Water Power Act. It is the duty of the Federal Power Commission not only to audit and determine items of alleged cost with reference to their actual expenditure, but also to scrutinize each item with regard to its being a reasonable, appropriate, and legitimate cost. The accounts of the Byllesby Service Co. as kept at the time of the said audit show arbitrary classifications of expenditures not in conformity to the Commission's rules of accounting. The same is true as to allocations of percentages and ratios of overhead and expense, and also of profit to the engineering and other departments. Hence there is no evidence before the Commission nor in the proposed stipulation from which it can determine with reasonable certainty the cost of the services within the meaning and intent of the act.

(9) In a case involving an intercorporate contract such as is here presented the Commission should have submitted to it satisfactory evidence as to all elements of cost, including salaries paid, and bonuses, if any, to the officers and directors of the service company, and also to show whether there had been any duplication of such payments to individual officials for services allegedly performed in their dual capacities.

For the purpose of the Federal Trade Commission such information was unnecessary and was not collated. The proposed ratio is admittedly not exact as applied to the specific services rendered to licensee's project but is at best an over-all average cost of services rendered by one department of the service company. To accept this proposed ratio would be to assume, as the Commission has no right to do, that all of the items entering into the over-all costs are of such character and amount as to be in conformity to the requirements of the act and the Commission's accounting rules and regulations.

The Commission is of the opinion that it has no right to predicate a finding and determination upon the tendered secondary

evidence and is unwilling to approve and adopt the proposed stipulation. Therefore it disallows the fee of $481,533.48 as part of the actual legitimate original cost of this project, with leave to licensee to submit appropriate evidence in support of its claim.

It is clear that the failure of licensee to submit evidence of these costs was due to the fact that it had no record of such costs, nor any control over the only source of this essential information. System management had supplanted company autonomy, thereby depriving licensee of any real freedom to manage and direct its own affairs. For necessary legal purposes its corporate body was kept alive, while skillful pressure produced a general paralysis. A corporate entity became a subservient and highly profitable nonentity.

The undisputed evidence shows that the Byllesby Service Co.—not a public utility, not subject to direct regulation by either Federal or State authority—took charge of the affairs of licensee, a public utility. It prepared the application of the articles of incorporation; as licensee's "agent" it prepared, filed, and followed through to its granting, the application to the Commission for the license for the project. The financing, purchasing, construction, inspection, most of the accounting, and all of the legal work were done for licensee. These were not acts of benevolence, but intruded services for gain.

Such a holding company dynasty—not exceptional, but typical—with its absentee ownership and management, its sovereignty over far-flung dominions in many States, but subject to the direct jurisdiction of none, its authority centralized in a few strong hands, its "fee" taxation without representation of the operating companies, is a grave economic and social peril. It calls for prompt corrective and preventive measures. The crux of the problem is the present inadequacy of the law. State commissions and the Federal Power Commission should be clothed with all regulatory jurisdiction possible over such holding and service companies.

Defenders of system control and service contend, as counsel for licensee argued in this case, that through a large coordinated system economies are effected: (1) Through a better specialized managerial and technical staff than any one operating company could support, and (2) decreased overhead by elimination of "lapse time", etc., because of assured "clients", and that the work to be done for the whole system can be rationalized. Waiving the unsocial aspects, and certain limitations to the economic argument, it is to be observed that the cooperative support of the operating companies in an integrated service plan is the sine qua non of the economies resulting. The holding company merely brings the companies together and acts as a clearing house; of itself it contributes nothing to economy. Hence, it has no right to take unto itself all of the fruits of the cooperation. Such a family purse arrangement is unjust and suggests a legal or, at least, a de facto separation, so the holding company and the operating company may live apart, each manage its own affairs, and support itself.

The valid objection to the holding company practice of profit making through monopolistic control of its subsidiaries has been recognized by one large holding company which recently abandoned this practice. The substituted arrangement provided may not be an adequate treatment of the subject, but it at least marks definite recognition of the problem and an approach toward its solution.[2]

LOSS ON GOVERNMENT DAM

(10) Licensee claims as a part of the cost of the project the sum of $193,164.34, representing an alleged loss in the construction of a dam under contract with the Federal Government. This dam, known as "United States Dam No. 41", was constructed primarily for the purpose of improving navigation on the Ohio River, but its use for hydroelectric purposes was leased by the Government to the licensee.

Pertinent facts upon which this claim is based, and as to which there is no controversy, are: Licensee, by resolution September 30, 1925, requested the Byllesby Service Co. to bid for the construction of this dam, offering to guarantee the Byllesby Service Co. its actual costs plus a percentage fee. The Byllesby Service Co. submitted a flat bid and was awarded the contract by the Government. By the terms of the contract between licensee company and the Byllesby Service Co., executed April 15, 1926, the licensee guaranteed the payment of all the Byllesby Service Co. costs in the construction of the dam plus an engineering and supervision fee of 5 percent thereon, the licensee to receive any amount in excess of that total which might be paid to the Byllesby Service Co. by the Government under the contract.

The Byllesby Service Co. completed the dam, including a cofferdam begun by the Government, but let to the Byllesby Service Co. for completion without competitive bids, more than a year ahead of the time set by the contract. The Government paid the contractor the full amount of its bid and contract in the sum of $2,362,499.93. The Byllesby Service Co.'s alleged costs expended, plus the 5-percent fee, totaled $2,555,664.27, or $193,164.34 in excess of the amount received from the Government. This excess amount was paid by licensee to the Byllesby Service Co. under the contract. Of this amount so paid, $71,466.04 represented the alleged excess costs over the amount paid by the Government, and $121,698.30 represented the 5-percent fee.

In support of its claim the licensee contends that delay in completion of the dam would have delayed operation of the plant, resulting in loss of revenue and increased cost of the project through additional interest charges during an extended construction period; that such delay would possibly have also meant additional costs in cleaning up after winter floods and ice damage; that other possible consequences of delay or suspension of work during the winter might have increased overhead expense and impaired morale of the construction force; that an added measure of assurance against such contingent additional costs of the project was afforded licensee by reason of the Byllesby Service Co. getting the contract for the dam, since it already had the contract for the project works and was in better position than any other contractor to coordinate and expedite the construction of both the dam and project works. For these and other reasons, licensee contends that economies were effected for its benefit greatly in excess of the amount paid to the Byllesby Service Co. under the contract.

Whatever factual basis, if any, there may be for the equitable considerations urged by the licensee, the Commission is prohibited by law from allowing this "loss" item unless it is a part of the cost of the licensed project works. The terms "project" and "project works" are defined by section 3 of the act, and specific instructions are given in sections 9 and 10 as to their description, in detail, in both the application for the license and in the license itself. The clear and necessary purpose of such provisions of the statute can only be to define the subject matter to which the Commission's jurisdiction and the licensee's responsibilities attach. Reference to the application and license show no mention of the dam as a part of the "project works" to be constructed by the licensee. On the contrary, they show that the dam was to be constructed by the Government and its use for hydroelectric purposes leased to the licensee, subject to the requirements for navigation. Therefore, licensee had no authorization to construct the dam nor any responsibility in respect to it.

At the time the license for this project was negotiated, it may have been feasible, as is often done, had licensee so desired, to have included the dam in the project, in which case licensee would have had the direct authority and responsibility for constructing the dam, and its cost would have been a proper charge to the fixed capital of the project. But this was not done, the licensee electing to confine its construction activities to the hydroelectric project proper. Therefore, any responsibility it subsequently assumed with reference to work extraneous to the project, with the hope that it might benefit the project, was assumed at its own risk in its capacity other than as licensee, and any resultant loss is not, under the law, a part of the cost of the project.

To adopt any other rule than that of restricting the commission's jurisdiction and limiting the licensee's liabilities to the project, would open the door to a confusing maze of activities and consequences.

But if, arguendo, it is assumed that the alleged loss on the dam has legal and proper relation to the cost of the project works, the facts and arguments offered by licensee in support of the claim are neither convincing nor persuasive.

Licensee's brief lays emphasis upon the contention that the Byllesby Service Co. became a bidder for the dam contract at the urgent request and solely for the intended benefit of the licensee, and hence should be protected against loss. It is argued that the Byllesby Service Co. "was very loath to undertake the building of this dam and as a condition to its so doing it insisted upon and received from licensee a guaranty" and again, that "the licensee prevailed upon the Byllesby Service Co. to undertake the construction of this dam." Remembering the common control of the two companies, the identity of their officers as shown in the chart, supra, and that it is admitted that both were dominated by common directors, the argument that one was "loath to undertake" and that the other "prevailed" is specious, for it assumes an independence of action which admitted facts refute. Prevailing is done from the top downward, not from the bottom up.

If licensee had the legal right, even assuming it had the power, to induce the Byllesby Service Co. to build the dam and guarantee it against loss, then, however long the delay or great the damage from floods, ice, or vicissitudes beyond control, the licensee would have to stand the loss, even though it may have been a million dollars instead of the sum claimed. If licensee may under the act undertake work or risk outside the limits of the project itself, it may do so anywhere along the line from the point of construction to the place of consumption of its power. For instance, if licensee had had a profitable contract to furnish power to a railway company as soon as the job of electrifying the railroad

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[2] The Holding Company, Bonbright and Means, 1932, p. 186.

"The Commonwealth & Southern Corporation * * * has recently announced that it has completely abandoned the principle of the profit-making management service contracts. It has achieved this object by the formation of an ancillary service company called 'the Commonwealth & Southern Corporation of New York.' The nature of this company is described in the following excerpt from Moody's Public Utilities, 1930 (p. 1557):

"'All stock of the management company is divided among the operating companies in the system pro rata to their gross earnings. Company renders a group purchasing and general supervisory service at cost divided pro rata on the basis of the gross earnings of the operating companies, but in case the cost of the service supplied is less than that estimated, the difference will be distributed to the operating companies in the form of dividends.'

"* * * It, or something like it, must sooner or later be adopted by all utility systems if they are to survive the growing resentment which their recent financial practices have aroused in the minds of the thinking public."

was completed, and if it feared that the contractor the railway company might employ would not complete the electrification of the railroad by the time the project was ready to furnish power, then, under the rule invoked by licensee, it would be equally justified in inducing the Byllesby Service Co., by an underwriting, to bid low enough to get the electrification contract. Such an elastic rule might be further stretched to include the building, as well as electrification, of the railroad.

One of the dangers and uncertainties of this rule is its dependance upon the fears of licensee as to what might possibly happen under an independent contractor, however competent, and leaves no practical basis for licensee's judgment or Commission determination.

Licensee's contention that it was highly important to it that the Byllesby Service Co., already having the contract for the project, should also construct the dam, is based upon a recognized principle of economy through coordination of construction work. But the argument here rests upon an assumption, unsupported by any evidence whatever, that any other contractor which might have been employed by the Government would not have cooperated in coordinating the work on the dam with that on the project. Nor is there factual basis for the further argument that no other contractor than Byllesby Service Co. would have brought the dam work up to a safe stage before the winter season, thus affording protection of the project works from possible floods and ice jams.

The evidence shows that both contracts were let at approximately the same time, that the project and the dam were side by side and physically related, that both jobs required, in large part, the same kind of construction equipment, materials, and labor, and that delay on either job would have been reflected in increased costs of both. No sound reason is apparent for finding that the Byllesby Service Co. had greater economic urge than another to coordinate, plan, and work against losses contingent upon avoidable delay or upon failure to cooperate. In fact, it would appear that any other responsible contractor would have had a most impelling added incentive to avoid such delays and losses, since it would not have had a licensee contract to insure against such losses, and to guarantee a profit, as the Byllesby Service Co. had.

In further support of this claim the licensee contends that Byllesby Service Co. saved it a substantial amount in its interest account during construction and enabled it to earn revenue earlier, through the completion of the dam ahead of the contract period. This may be granted, but there is no evidence, except the licensee's apprehensions, that another contractor would not have finished the dam as promptly as the Byllesby Service Co. It is a matter of common knowledge that investment in working capital for equipment, materials, labor, overhead, etc., a necessary element of cost in construction work, is reduced, and the profit thereby increased, by pushing the work to an orderly and prompt completion. It cannot be assumed that another contractor would have been either ignorant or unmindful of this A B C of construction economics.

(11) If for no other reason, the Commission should disallow the item in question because it is based on considerations altogether too conjectural and speculative to afford a basis for regulatory action. The arguments that another contractor would not have completed the dam as expeditiously, would not have coordinated the work on the dam with that on the project, that the approaching winter season might bring floods and ice jams which the then stage of project construction might not withstand—all these are but recitals of licensee's imagined difficulties and losses, crossing phantom bridges it never got to. To allow this claim it would be necessary to appraise the value of things which might conceivably have happened under circumstances which could have existed, but did not. The courts have been unwilling to be guided by considerations less speculative than those advanced in this case. (*Knoxville* v. *Knoxville Water Co.*, 212 U.S. 1; *Tagg Bros. & Morehead* v. *U.S.*, 29 F. (2d) (750), affirmed 280 U.S. 420; *Los Angeles* v. *Railroad Commission*, U.S. (May 8, 1933).)

For the reasons assigned, the item here in question is disallowed.

COMMENCEMENT OF OPERATION

(12) The amounts properly allowable as project costs for interest and taxes during construction, and for power generated during construction, as a credit against project cost depend in part upon the date when the project can be regarded as available for operation. This the Solicitor contends should be January 1, 1928; the licensee May 1, 1928. We adopt the former date as proper under all the circumstances.

For this purpose we regard that date as proper when in the course of due diligence the project has been sufficiently completed to be reasonably reliable and available for service. Not merely its technical physical functioning, but the nature of the use for which it is designed and its adequacy to meet the burdens such use entails are factors to be considered.

This project was designed and built to furnish secondary power only. Due to the caprices of the Ohio river, the plant is totally disabled for considerable portions of each year either from high or low water. For primary power during such periods, and in emergency at all times, the Louisville Gas & Electric Co. of Kentucky, an affiliate through whose system the project output is distributed, maintains a steam generating plant at Waterside, a short distance up the river, adequate in capacity and attendance to take over at short notice the entire load of the project. The means provided and preparations made for this purpose were developed in detail in evidence, with voluminous exhibits recording the situation daily at both plants throughout the period in question, and for comparative periods before and after. Upon its full consideration we are convinced that by January 1, 1928, the project had been demonstrated capable of discharging its intended function as a producer of secondary power.

While there were some suspensions thereafter of the entire plant for lack of water, and of particular machines for certain supplemental construction processes, such as pointing, installing safety devices, and certain mechanisms for greater convenience in operation, the loss of generation from the latter causes was minor; and in each case the necessary load was promptly absorbed by the Waterside plant, in accordance with the operating relationship intended between the two plants.

INTEREST DURING CONSTRUCTION

(13) The allowance of interest during construction is authorized by section 3 of the Federal Water Power Act, which incorporates "insofar as practicable" the "Classification of Investment in Road and Equipment of Steam Roads, issue of 1914, Interstate Commerce Commission." The Federal Power Commission's system of accounts prescribed for licensees provides, under Account 394, for the inclusion in the capital accounts of reasonable charges for interest during the construction period on the licensee's own funds. This accounting regulation corresponds to the Interstate Commerce Commission's Account 76, "Interest During Construction."

What properly constitutes the construction period is to be determined upon the facts and circumstances in each case. The licensee claims January 1, 1924, as the beginning of the construction period and the evidence shows, the Commission finds, that construction began on that date and continued with due diligence thereafter. The Commission having found January 1, 1928, to be the date on which the project was available for service, it follows that interest is allowable from January 1, 1924, through December 31, 1927.

The interest claimed by the licensee is $525,744.44. Interest was computed at the rate of one half of 1 percent per month on construction balances totaling $8,309,522. The Commission finds that, under all the circumstances, the rate of interest of 6 percent per annum claimed by the licensee is not unreasonable and is therefore allowed. The project construction was financed by advances from the Louisville Gas & Electric Co. on an open-account basis and interest computations were made upon such advances, but the licensee having been engaged in construction activities other than those pertaining to the project, it becomes necessary to separate the project from the nonproject expenditures. Thus by the elimination of the principal amounts of nonproject charges upon which interest claimed was computed, the interest properly allowable under the act may be determined.

The first nonproject cost item deductible is the charge covering work orders C-9, C-16, and C-13, amounting to $563,439.47; the next nonproject charge eliminated is under EC 806 of $174,965.50; a further item represents several nonproject charges in the form of payments to the Byllesby Service Co., including the disallowed fee, supra, in the total amount of $514,260.91; and items representing miscellaneous nonproject charges which have been disallowed by the Commission aggregating $29,415.23. The interest on the total of these items, $1,282,081.11, must be deducted from the interest claimed by the licensee.

By a stipulation between counsel for the licensee and the Solicitor, and approved by the Commission, the method of computing interest during construction is that used by the examiner in the preliminary accounting report.

Having determined the amount of nonproject construction included in the advances for all construction undertakings, it becomes necessary to determine the portion of interest applicable to the nonproject charges. This is accomplished by dividing the open-account balance as of December 31, 1927, $8,309,522, into the interest, $525,744.47, charged on it during the 4-year period, which produces a ratio of 0.063270117. By applying this factor to nonproject construction, $1,282,081.11, the result, $81,117.42, is the amount of nonproject interest to be deducted from the total interest claimed by the licensee, leaving the sum of $444,627.05. Therefore, the Commission finds that $444,627.05 is the proper allowance for interest on the licensee's own funds during the construction period. It should be noted that the annual rate at which interest is computed is 6 percent on all amounts charged, computed from the month in which incurred. The other rate referred to (0.063270117) is merely the arithmetically resulting ratio of interest to construction charges covering the whole 4-year period.

ATTORNEYS' FEES AND EXPENSES

(14) The licensee claimed as a part of the cost of the project the sum of $2,900 paid as retainer fees to a firm of lawyers in 38 separate vouchers from 1923 to 1928. For lack of satisfactory evidence as to the character of service rendered and the nature of the contract of employment, the examiner wrote to licensee July 12, 1928, for further information in regard to these fees. No reply was received by February 21, 1931, the date on which the examiner filed his report, and this item was therefore suspended. In the protest filed by licensee, this item, with many others, was reasserted as valid. At a conference between representatives of the Commission and of the licensee in regard to numerous items in controversy, resulting in the stipulation hereinbefore referred to, the allowance of this $2,900 was agreed to and identified as item 34 (B-1) in said stipulation.

At the hearing the Commission, inquiring as to the new or additional evidence presented at the conference which led to agreement on particular items, asked attorneys for licensee for information as to the terms of the Byllesby Service Co. contract with the law firm to which this sum had been paid. Representatives of the licensee being unable to inform the Commission as to this, counsel agreed later to get the desired information and report the facts to the Commission. Thereafter, counsel for licensee advised the Commission by letter that the law firm was a department of the Byllesby Service Co., and formally withdrew the claim; for service by the legal department at the "home office" is included in the 7½-percent fee contract, discussed supra.

The Commission is unable to escape the conviction that the withholding of the facts about this claim was not through mere inadvertence. It was brought directly to licensee's attention by the examiner's letter which was unanswered; and again when examiner's report suspended this item, a copy being serviced on licensee; and again when licensee filed its protest, reasserting the validity of the claim; again when it was the subject of a conference, resulting in its approval by stipulation; and once more when the Commission inquired about it. During all of this time the Byllesby Service Co. knew, and licensee also presumably knew, that the law firm was merely a department of Byllesby Service Co., collecting from affiliates fees in which the Byllesby Service Co. directly participated. And as bearing upon the good faith in handling this matter it is significant that two members of this legal department were officers in the Standard system. The Commission can do no less than condemn the evasion and concealment in connection with this matter.

The licensee's letter admitting that the law firm was a department of the Byllesby Service Co. caused the Commission to reexamine other law fees claimed by licensee and approved by the examiner. Of such other fees we find amounts aggregating $6,000 which, so far as we can determine upon an incomplete record, are for services rendered by the legal department at the home office, and provided for in the service contract, and this further amount is disallowed. But, since licensee has not had opportunity to be heard as to this $6,000 disallowance, it is made with leave to licensee to apply for further hearing thereon.

MOTION PICTURES AND SUPPLIES

(15) The licensee claimed as a part of the cost of the project two items, one in the sum of $8,200.02 and the other $756.10, covering charges for airplane photography and making motion pictures, and including films, film cases, motion-picture machine and parts, lantern slides, photographs, reprints, frames, and other accessories. It is contended that the cost of these were a necessary complement to the construction of the project.

In the stipulation hereinbefore referred to between the solicitor and counsel for the licensee it was agreed that all of the first amount except $1,000 should be allowed and that all of the second amount except $186.43 should be allowed, leaving a total of $7,769.69 approved for allowance.

Upon the facts recited in the stipulation the Commission is unable to approve this item of the stipulation and the said amount is therefore disallowed. But inasmuch as licensee, at the hearing, relied upon the expected approval of the Commission of this stipulation and therefore introduced no evidence in further support of this item, this disallowance is made with leave to licensee to apply for further hearing thereon.

The Commission recognizes the value of modern photography as a medium for the conveyance of ideas of design and methods of their execution, and also the historical value of such a panoramic view of the various stages of the construction processes and the probable subsequent use which may be made of such photography by engineers, designers, and contractors. But the licensee was engaged in the construction of this one project and the direct benefit to such project from such photography does not satisfactorily appear from the record and hence such costs cannot be approved as a proper and necessary expense in the construction of the licensed project.

It is not doubted that this photography would be of benefit to engineers and contractors in the future in the construction of hydroelectric projects and that it may have large value to an organization like the Byllesby Service Co., which is engaged in the business of designing and constructing such plants, but the licensee should not have incurred this expense to create records for future use by others than the licensee.

PUBLICITY EXPENSE, HANDLING VISITORS, ETC.

(16) The licensee claims $3,285 as a proper project cost incurred for a banquet given to foremen and bosses in construction of the project and of United States Dam No. 41.

This item was included in the said stipulation, agreeing that this expense, if allowed, should be divided in the proportion of seven ninths to the project and two ninths to the Government dam and that "it is agreed that if the purpose of this expenditure is deemed appropriate, the amount thereof is reasonable. It is further agreed that this item may be determined by the Commission upon this stipulation and other matters of record before it without further hearing."

The Commission holds that a banquet is not an appropriate or proper part of the cost of a public-utility project, and this claim is, therefore, disallowed.

Licensee contends in support of this claim that the banquet was given in fulfillment of a promise made to encourage the speeding up of construction in order to raise the substructure above the level of winter floods so that construction could be carried on through the winter, and that this purpose was accomplished. It appears from the record that this banquet was not limited to the foremen and bosses but included city and other public officials, many members of the chamber of commerce, and other citizens, to the total number of about 500. To approve such an expenditure as a proper project cost would, in the opinion of the Commission, not only be without authority in the act but also open the door to "good will" advertising. Consumers may not properly be required to pay for hospitality they do not share.

(17) A further sum of $7,899.03 is claimed by licensee as a proper cost of the project, covering several expenditures, as follows:

The sum of $1,446 represents the cost of erecting an outdoor observation platform from which visitors might view, with safety, construction operations. The Commission allows seven ninths of this item, $1,124.63, and disallows the remaining two ninths, $321.37, as properly allocable to the United States dam project.

Another item of $2,000 representing salaries of guides for the further protection of visitors is considered proper, and seven ninths thereof, $1,555.55, is allowed, the remaining two ninths, $444.45, being allocable to said United States dam construction.

In allowing these two items the Commission recognized the legal duty of the licensee to take reasonable precautions and to provide reasonable means for the protection of the public against personal injuries. Upon all the evidence the Commission finds that the erection of the observation platform and the furnishing of guides was in the discharge of the licensee's duties to the public and that these provisions for the public safety cost substantially less and were more effective than the alternative of fencing and policing the construction area.

(18) The $4,453.03 remaining of the total item of $7,899.03 covers, insofar as the Commission is able to determine from the said stipulations and an incomplete record as to the facts, miscellaneous expenditures, some of which are disallowed because made subsequent to the date on which the Commission has found the project to be available for service, and the others because of the purposes of such expenditures. It appears that a large part of this item covered the rental of busses for transportation of visitors to and from the project, the serving of lunches, soft drinks, cigars, and other forms of entertainment in no sense appropriate to or proper for inclusion in capital structure of the project. When the licensee provided safe platforms and guides for visitors, hereinbefore approved, it discharged its full duty under the law to the public, and any added courtesies must be borne by the company in its capacity other than as licensee of this project. For the reasons assigned the said claim of $4,453.03 is disallowed.

RENTAL OF NONPROJECT LANDS

(19) The licensee claimed $24,120.69 as rental for nonproject lands owned by licensee and used in connection with construction activities. This land is not within the project boundaries as defined in the license, but it is proper to allow a fair rental for the 3 years it was used for construction activities. The amount claimed as rent is equivalent to 10 percent per year, or 30 percent on the cost of 99.96 acres. The examiner reported that only 80.67 acres of this land were actually used, and recommended the allowance of 30 percent on the cost thereof, or $18,180.26, and suspended the balance of the claim, $5,94043, as representing the 30 percent on the cost of the unused acreage. In the stipulation previously referred to it was agreed that the amount suspended by the examiner, $5,940.43, should be allowed.

The Commission is unable to approve the stipulation upon the evidence before it, nor does it approve the 30 percent as a fair rental for 3 years.

The Commission is of the opinion that while licensee is entitled to a compensatory rental on its nonproject land actually and necessarily used for construction purposes, it is not entitled to a rental above carrying charges on its own lands used to construct its own project. And as 6 percent is the interest rate claimed by licensee, and approved by the Commission, on its own funds furnished for all other purposes during construction, this rate, 6 percent, plus 2 percent to cover taxes, will, in the opinion of the Commission, fully compensate for all carrying charges on the cost of said 80.67 acres. Therefore, the Commission allows 8 percent of the cost of the 80.67 acres, as shown in the record, amounting to $14,544.21, and disallows the balance of the claim, $9,576.48.

But as licensee, relying upon the stipulation for allowance of its claim, presented no evidence at the hearing in support thereof, this disallowance is made with leave to licensee to apply for a further hearing on this item.

MISCELLANEOUS DISALLOWANCES

Under a stipulation, an item classified as local engineering and superintendence and known as "no. 13", in the total amount of $5,245.74, was disallowed.

Another item classified as accounting, auditing, and clerical expenses and known as "item no. 14" in the sum of $427.76 was disallowed under the said stipulation.

(20) The Commission has approved both of these stipulations. Included in the said two amounts as originally claimed by the licensee as proper project costs are amounts which represent expenses of engineers and other employees of the Byllesby Service Co. in attendance upon various conventions. The Commission is unable to understand why the licensee should have considered such expenditures as having any direct or proper relation to the cost of the project under consideration. The attendance of employees of the service company at such gatherings doubtless has

real value to the Byllesby Service Co., their employee, but to charge such expenses to the cost of this public-utility project appears to the Commission to be without any semblance of justification.

To include such expenditures in a statement of cost filed under oath tends seriously to impair the assurance of accuracy and good faith which such a statement should import.

[From the Washington Herald, Dec. 30, 1933]

CURBING THE POWER TRUST

In urging governmental control to avert the "grave economic and social peril" presented by the Power Trust's dynasties of holding companies, President Roosevelt's newly reorganized Federal Power Commission points the way to a long-needed reform.

Congress and the State legislatures should enact laws, as the Commission recommends, to control these unregulated corporations, which all too often plunder investors with one hand while overcharging consumers with the other.

For the first time in the 14-year history of so-called "regulation of water power", a Commission entrusted with this regulation enunciates conserving, constructive, and promising principles.

And likewise, for the first time, there is in the revitalized agency led by Chairman Frank R. McNinch a commission competent and zealous to carry out these principles—a commission that may prove to be the "tribune of the people" that President Roosevelt has been seeking.

Frequently heretofore the Power Trust regulated its regulators. In regulating them and failing to regulate itself it ruined its investors, robbed its consumers. It did about everything but kill the goose that laid the Power Trust's golden eggs.

Economic waste flourished side by side with financial profiteering and political oppression. These abuses must be suppressed in planning for the truly electrified America which the Roosevelt administration is beginning to build.

The abuses and the peril inherent in the Power Trust holding companies are illustrated forcefully by Mr. McNinch and his fellow commissioners in a decision affecting the Byllesby system, which boasts assets of $1,200,000,000 and has dependent upon it for utility service 1,648 communities.

This system the Commission aptly characterizes as a "holding company dynasty—not exceptional but typical—with absentee ownership and management and sovereignty over far-flung dominions in many States, but subject to the direct jurisdiction of none."

In the claim of cost of a water-power project submitted by a system subsidiary, the Commission disallows $3,285 spent upon a banquet, saying:

"Consumers may not properly be required to pay for hospitality they do not share."

It might justly say the same of investors.

Disallowing a fee of nearly $500,000 charged by the Byllesby interests for supervising themselves, through an affiliated corporation, while they built a power plant, the Commission notes that in 6 years the system has made, on such fees, profits of more than $10,000,000.

The Commission declares:

"Such profits resulting from holding-company control and intercorporate contracts are not only unreasonable, but shocking, when considered in the light of their direct influence upon a business affected with a public interest."

At last, apparently, we are going to have a watchman to guard the national water powers that have been grabbed by the Power Trust under long-term leases and exploited heretofore to the Power Trust's own taste.

If Congress and the State legislatures do their part, we may also curb, at least, the Power Trust's holding-company racket.

END OF THE DEPRESSION—STATEMENTS BY W. W. ATTERBURY AND HENRY FORD

Mr. ROBINSON of Arkansas. Mr. President, I ask that a brief statement by Mr. W. W. Atterbury be printed in the RECORD, and also a United Press dispatch, quoting a statement by Mr. Henry Ford.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

[From the New York Times, Sunday, Dec. 17, 1933]

DEPRESSION OVER, ATTERBURY HOLDS—RAILROAD MAN URGES FAITH IN ROOSEVELT—GETS MEDAL OF PENNSYLVANIA SOCIETY

The country has emerged from the depression and business is improving, Gen. W. W. Atterbury, president of the Pennsylvania Railroad, told members of the Pennsylvania Society last night at the organization's thirty-fifth annual dinner in the Waldorf. General Atterbury received the society's gold medal for distinguished achievement.

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HOLDS SLUMP IS OVER

"We are just out of the trough of the greatest depression this country and the whole world have ever seen", General Atterbury said.

"We see all sorts of 'isms' being tried in various parts of the world. There is communism, fascism, national socialism, and what not. My own conviction is, however, that in the long run, out of all these 'isms' we shall find that Americanism—old-fashioned, rugged Americanism in its best sense—will be the 'ism' that will emerge triumphant.

"What do I mean by Americanism? I mean, above all things, the maintenance of national institutions which give the largest possible opportunity for the development of the best there is in each individual. You may call this 'rugged individualism', and yet rugged individualism does not mean giving to any individual the right to pursue a life solely devoted to his own individual aggrandizement without reference to the rights and welfare of other individuals which make up our great people. But there is a very great difference between the maintenance of this kind of rugged individualism and any effort at the regimentation of individuals. I do not think the people of this country want a regimented life.

HOLDS CAPITALISM SAFE

"The popular uprising against prohibition was, in my judgment, at heart a rebellion on the part of the whole American people against any effort to interfere with the fundamentals of personal liberty.

"People tell us that this depression has shaken the very basis of capitalism. I do not believe that it has. It is in that disbelief that I have been glad to join with the great army of our American citizens who are supporting the policies of the President of the United States in his efforts to pull this country out of the depression.

"I am an enthusiastic believer in the patriotism, the courage, and the resourcefulness of Franklin D. Roosevelt. Though a strong Republican in my political affiliations, I have felt and still feel that this is no time for the assertion of political partisanship. It is time for the whole Nation to pull together behind the President.

"I do not believe it is a time for gloom. And this sentiment on my part is not whistling to keep up my courage. Business is improving. More men are being employed. Goods are moving into consumption. The purchasing power of the farmer is already vastly improved. The whole attitude of the people is changing. I am confident that next year is going to be a better business year than the one we are now completing."

[From the Washington Post, Wednesday, Jan. 10, 1934]

"DEPRESSION OVER", FORD QUOTED, OPENING PLANT

DALLAS, TEX., January 9 (United Press).—Henry Ford is "convinced the depression is over", C. B. Ostrander said today in announcing the Dallas Ford plant will reopen February 1, employing 2,000.

Ostrander, branch manager, said the plant would open on a schedule of 250 cars a day, with a pay roll of $300,000 a month.

FIAT MONEY—VIEWS OF AMERICAN FEDERATION OF LABOR

Mr. VANDENBERG. Mr. President, the Associated Press summarizes the attitude of the American Federation of Labor in respect to inflation and fiat money. I ask that the article may be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

FIAT MONEY FEAR VOICED BY LABOR—RECOVERY GAINS CITED, BUT INFLATION MAY WIPE OUT PROGRESS, LEADERS SAY

Business year prospects for 1934 were pictured today by the American Federation of Labor as "brighter", but "overshadowed by a danger which may destroy all progress made—inflation by fiat money."

"Fear of inflation is the chief obstacle to restoration of confidence at present", the Federation said in an annual review.

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"All these gains show progress, but we must not forget that in November 10,702,000 workers still had no industrial employment; that C.W.A. funds giving temporary work to 4,000,000 will be exhausted by February 15; that business is still 30 percent below normal; that the outlook is overshadowed by a danger which might destroy all progress made—inflation by fiat money.

"These business advances are due almost entirely to Government measures, not to private initiative. * * * To this Government credit we owe a large measure of our progress toward recovery. * * *

"Government credit does not replace private credit extended in the normal way through banks. Barring a revolution in our ways of doing business, we cannot expect industry to revive until credit begins to flow in large volume from banks. * * *

"To start private initiative and put back to work 10,700,000 workers still without industrial employment, business confidence must be restored. Fear of inflation is the chief obstacle to restoration of confidence at present. * * *

"The effect of fiat money inflation at present would be to take from the workers any income gains they have had and put increased wealth and power in the hands of rich property owners. Uncontrolled inflation could destroy the effects of the recovery program.

"History shows that in the past fiat money has usually been issued to meet an overwhelming Government deficit. Large Federal borrowings in the last 3 years have alarmed many who fear that the Government will not be able to pay off its debts except by issuing fiat money. * * *

"History shows no example of uncontrolled inflation in a country with a large gold reserve. Our gold stock at present is the largest of any country in the world. * * * It is far more than enough to support our present paper currency. These facts show no reason for fiat money inflation because of the public debt."

ECONOMIC CONDITIONS—ADDRESS BY SENATOR DICKINSON

Mr. FESS. Mr. President, I ask unanimous consent to have printed in the RECORD an address delivered by the senior Senator from Iowa [Mr. DICKINSON] before the League of Republican Clubs of Cuyahoga County, Ohio, at Cleveland, on January 6, 1934.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

It is a real pleasure to be present at this splendid gathering of working Republicans. If I were to ask any pledge of you tonight, it would be a reassurance of confidence in the record and the traditions of the Republican Party. The Republican Party is progressive enough for advancement and yet conservative enough for safety. Let us continue to be a party under the Constitution and not against it.

Many governments have failed, not because they did not do enough for their people but always because they attempted to do too much. The Constitution of the United States is not a restriction on liberties but rather a protection of liberties. When we exceed its privileges, we are on dangerous ground.

The Democratic legislative program may be an experimental program, but one experiment may lead to another until no retreat is possible. Experiment is leading us far astray.

Most of the problems now confronting us are the problems of the individual and of the State and its subdivisions. Yet we hear the continuous cry—"Why does not the Government do something?" We ask the Government to plant our gardens, to plow our fields, to control our industries, and run our stores. The sooner we regain the self-consciousness that these are the problems of the individual and not of the Government, the quicker a safe road to recovery will appear in the foreground.

Our party should be committed to the principle as established by our forefathers. The preamble should become our golden rule.

"We the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America."

This has been revised in the "new deal" and now reads entirely differently. At the present time, if I were to write a preamble to fit into the present-day program, it would be as follows:

"We, the people of the United States, in order to test the stability of the Union, and to divide one section against the other, to endanger justice, to insure domestic discord, to retard the general welfare, to endanger the civil liberties of ourselves and our posterity, do ordain and establish the A.A.A., C.A.B., C.C.C., C.S.B., C.W.A., E.C.P.C., E.H.F.A., F.A.C.A., F.C.A., F.C.T., F.D.I.C., F.E.R.A., F.H.L.B.B., F.S.R.C., G.S.C., H.O.L.C., I.A.B., I.B.R.T., I.T.P.C., L.A.B., N.C.B., N.E.C., N.I.R.A., N.I.R.B., N.L.B., N.P.B., N.R.A., P.W.A., P.W.E.H.C., S.A.B., S.B.P.W., S.R.B., T.C.F.T., T.V.A."

Many of these had no foundation in legislation whatsoever. They are the result of Executive orders—illegitimate stepchildren of an ill-advised law whereby the legislative body surrendered its birthright and delegated legislative authority to the Executive of the United States. We are at present the victims of such delegated authority. Pressure on Congress put through many measures transferring authority from Congress to the Executive—a cowardly procedure. Those governing us today were not elected to office. Johnson was not elected by the vote of the business men, nor Davis by the vote of the farmers. This has all been brought about by a delegation of power.

RETURN TO FUNDAMENTALS

The Republican Party should stand for a return to fundamentals. The theory that any particular policy of any particular group is responsible for existing conditions is erroneous. The present-day depression is the result of the sins of society itself. The individual increased his expenditures; he took on extravagant habits; he gambled large stakes on uncertain gains; he lived beyond his means; he bought on the installment plan and spent next month's salary this month. This was destructive to the understrata of society itself.

The same program was adopted by the municipalities of our country. Bond issues were voted, boulevards constructed, pavings extended, buildings erected. The expansion program was such that soon the tax revenues were unable to meet the obligations. This is the reason for the demand that municipalities be permitted to take advantage of bankruptcy.

This same spirit of spending extended to the States themselves. Many of our States obligated themselves for expenditures beyond the resources of their taxpayers. In fact, it was not solely on account of the manipulations of the stock exchange—although much blame can be placed at its door—it was the gambling spirit in practically every walk of life that disintegrated our economic structure. It is this condition that forces upon the country the necessity for an economic cure. In finding such cure, the Republican Party has a keen responsibility.

PUBLIC REGULATION NO CURE

Admitting that our economic society is disorganized and that it has not been properly managed, there is nothing in the assumption that a political social control will remedy the situation. The Republican Party should stand firm in the faith for individual management and private control of business and industry. We can promote legislation curbing dishonesty and restricting monopoly.

In reply to the suggestion that political social control is necessary by reason of the conditions now existing, let us examine the record. What about various businesses that have been vested with public supervision? Let me call your attention to the fact that the railroads have had governmental supervision for a great many years. This supervision has not saved them from suffering exactly the same plight as practically every other business in the country. I might also suggest that the banking business has been supervised by the Government. Probably no business has been more mismanaged and suffered keener loss or more in prestige than the banking business of the country. But the banking business is regulated. We have bank examiners; we have a Comptroller of the Currency; we have a Federal Reserve Board. No one ever dreamed of putting either industry or commerce under so strict regulations as have heretofore been imposed upon the finances of the country.

It has been suggested that the Senate inquiry has "dropped a grappling hook into the mire of some of their (bankers) methods. Fiduciaries at the very heart of financial power and faithless to their trust * * * and insistent that a law to induce fair practice infringes the Constitution, they are the mouthpieces of the political theory that permitted such practices." But it should be remembered that during all this time these banks were under Government supervision. They were under Government regulation. Even their bylaws were submitted to the Comptroller of the Currency for approval.

Is it not therefore safe to assume that the N.R.A. with its limitations of authority will not be able to overcome private greed? It will not be able to make economic angels out of the sinners of the earth and will be no more successful in managing the business and industries of the country than the Federal Reserve Board has heretofore been in managing the banks of the country. I again contend that Government supervision is no cure for our existing ills.

I further suggest that you investigate the shipping business which has been under Government supervision. All this would indicate that Government supervision is not a remedy and gives no assurance that industry and business will not suffer the same collapse, even if supervised and assisted by the guidance of the N.R.A. or any other Government bureau or subdivision of the "brain trust."

EXPERIMENTS

Under existing conditions we need calm, deliberate judgment. Caution should be our guide. When conditions are most critical, we find a government of trial and error—all trial and mostly error. I have no patience with the man who says that the administration at least is trying something. This is no time for quack remedies. It is much safer to trust experience than experiment. We are floundering in a conglomeration of brain storms—brain storms in finance, brain storms of overproduction, and brain storms of excess food supplies—a "brain trust" campaign of prosperity promotion spending billions.

Promises—promises—promises. The Government will fix wages; the Government will raise prices; the Government will shorten hours; the Government will settle your disputes; the Government will eliminate your competitor. Business from now on is going to be one continuous round of pleasure—with profits assured and conditions ideal. Everybody is to be regimented. You are to imitate the fat merchant of the Elizabethan Age under the merchants' guild, with wealth accumulating and your trade assured.

OVERPRODUCTION

Overproduction must be stopped. Farms are to be classified and 40,000,000 acres taken out of cultivation. Factories are to be segregated—some closed and some opened. Mines are to be listed. Overproduction is the bugaboo. If too much cotton, reduce the acreage. If too many radios, give someone the monopoly, and the "brain trust" will close the other factories. Too many lawyers—close the schools. Too many doctors—close the colleges. Too many professors—close the universities. Too many people—try birth control and legalize abortion.

BUSINESS LEADERSHIP

The greatest tragedy of today is that the leadership of industry and business, which should oppose the present program of Federal regulation and control, is so irresolute and divided in what should be done. If socialism once grips American capitalism, it will never release its grasp. One of the early conceptions of social reform is that the state shall control all means of production. There is nothing new in the present-day suggestions. All these theories have been tried in one form or another and failed. But a socialist never admits defeat. He will admit that his program has not worked, but never admits that its failure is on account of a defect in the system. The failure is always because he was not permitted to go far enough and extend his program to complete control of the economic system.

Once the Government begins the task of controlling economic relationships, it must continue. One commitment leads to the next. American capitalism in its present faltering experiment with State control is playing with the buzz saw.

SOCIALIZATION

We are taking the first step in land rentals. Soon ownership will become annoying. The P.W.A. set aside 25 millions to buy marginal lands. Next we find the theory will work better where all land is owned by the Government. Renting lands, step no. 1; buying marginal lands, step no. 2; take all the land, step no. 3.

The R.F.C. is soon to ask for a longer lease on life. For what? Why, to buy gold at home and abroad. A year ago, if I had $100 in gold in my pocket, I was a law-abiding citizen; if I perchance had a pint of whisky, I was a criminal. Today, if I have the whisky I am a law-abiding citizen, but if I have the gold I am a criminal violating the law.

The R.F.C. also wants to buy preferred stock in banking institutions and, in some instances, name the officers. We are fast approaching a bank of the United States. Somebody page Andrew Jackson. Where are the advocates of State rights? The shades of Democracy grow dim when the legislative leadership of that party forsakes every tradition of Thomas Jefferson and of the South and surrender to a centralized Government control. In finance they surrender to the R.F.C., in industry to the N.R.A. in agriculture to the A.A.A.

When this happens, big business becomes the master. Big business dictates your finance. Big business dictates your codes. The antitrust law is suspended, and corporate control of business knows but one god—the "god of profit." The whole development of business under such control is for big business to become bigger, and the little fellow hunts a place in the breadline. Surely the "Frankenstein of monopolistic capitalism" is with us.

The ultimate burden of such a program falls on two classes—the consumer and the taxpayer. One group fixes wages, profits, and prices; another must pay the bill. One group sells its produce to the Government in the form of a loan; another must pay the price. How long can our Government last half subsidized and half victimized?

MONETARY POLICY

The present uncertainty of the administration's monetary policy forces capital investment into hiding. New capital issues in 1933 will be under $1,000,000,000 as against $1,600,000,000 in 1932, $8,000,000,000 in 1930, and $10,000,000,000 in 1929. No prosperity can be realized unless new capital issues rise to at least $5,000,000,000 a year. It is impossible to supplant this money with Government funds.

A great deal has been said about the Government being able to refinance all its loans to date. Naturally, the Federal Government can force the banks to buy its bonds and then new issues can be made against the bonds; but if you follow this policy indefinitely, you turn our banks into Government printing presses. Once this device is carried to any considerable extent, the dollar may be expected to take a nose dive, and the descent will know no end. There is only one remedy for excessive expenditures, and that is additional taxation.

PARTY PROMISES AND PERFORMANCES

In reading the platforms of the major political parties during the last campaign, I find included in one of them the following:

"We favor an immediate appropriation of $5,000,000,000 for relief to supplement State and local expenditures and the appropriation of an equal amount for public works, including roads, reforestation, slum clearance, and housing."

I read further and find that this party favors "the creation of national, regional, and State boards to determine the best utilization of rural land; Government ownership of the liquor business; abolition of the power of the Supreme Court to pass on the constitutionality of legislation enacted by Congress; complete acquisition of the Federal Reserve banks by the Government; the operation of the power industry by administrative boards; the recognition of Soviet Russia", etc.

In all candor, I ask you to compare the program of the present administration as enacted by the special session of Congress and as now being proposed in the regular session of Congress with the program above suggested. But wait—I have been reading to you from the national platform of the Socialist Party, headed by Norman Thomas, who received less than 800,000 votes in the last election. None of these provisions was found in the Democratic platform that received over 22,000,000 votes, and none of them was included in the Republican platform that received over 15,000,000 votes.

Are the American people being given what they voted for, or are they being subjected to the whims of the "brain trust" led by the theorists with a direct and definite leaning to the left on every proposal?

The Republican Party must do its part in directing the affairs of this Government. No one knows whether we are still relieving the depression or revolutionizing our form of government. There may be a place where we can call a halt. We find that when direct authorization of Congress has not been granted the power has been assumed by some corporation or agency set up under some provision transferring power to the Executive.

Just now they propose to spend $25,000,000 to buy regional lands. That matter was never discussed before Congress. It is proposed to expand construction in many ways on many projects that have not been heretofore authorized by Congress. In fact, there is a refusal on the part of the leading members of the Appropriations Committee of the House to concur in many of the authorizations granted by the Public Works Administration.

We expand our highway system; we rebuild our Navy; we put 10 million dollars in flying equipment; we are encouraging municipalities, counties, and States to embark upon a system of extravagant public expenditure and pay excessive prices in order to secure a contribution from the Government; but in the end the taxpayers of these respective localities must bear the upkeep of these improvements.

The other day an editor friend of mine suggested: "A successful man hereafter will be one who can think up ways to make money as fast as the Government can take it away from him."

DEPRESSION

We are now facing a $7,000,000,000 Budget. The revenues of the Government, with all the additional taxation suggested, will not exceed 3½ billion dollars. Spending a lot of money seems to be an inspiration to spend more. This in face of the definite promise July 30, 1932, when President Roosevelt said:

"Let us have the courage to stop borrowing to meet continuing deficits. Stop the deficits.

"Our party sees clearly that not only must Government income meet prospective expenditures but this income must be obtained on the principle of ability to pay.

"Revenues must cover expenditures by one means or another. Any government, like any family, can for a year spend a little more than it earns. But you and I know that a continuation of that habit means the poorhouse."

The present type of expenditures is extravagant and wasteful. Thirty-four agencies have been set up under temporary authorizations, all of them for the purpose of spending money. The Republican Party has a direct responsibility at least to warn the country that the end of this path is Federal bankruptcy and financial ruin.

Every depression passes through three stages. First, the panicky stage of severe decline and loss of confidence and depreciated values. We have passed through that stage. With the rest of the world following a similar course, there was no way by which this could be avoided in this country. All legislation could do was to stem the tide and cushion the fall.

The second stage for every depression is a period where we test out all forms of remedies—a few of them sound, many of them unsound. The character of the leadership determines whether or not we try many quack remedies and suggested panaceas, or whether we permit experience to be our guide and confine recovery legislation to remedies fundamentally sound and tested by experience.

It is well to compare the efforts of America with those of England under the present stress. In the United States we are spending money to bring back prosperity. In England they are saving it for the same reason. Naturally, both methods will make some progress. In Great Britain they ask no emergency or extraordinary powers. It is well to remember that the stability of the English course has weathered many tests. In America we are sending up a trial balloon. No one can now predict the expected landing.

But it has been said that if we can increase the economic turnover in the United States from $45,000,000,000 to $90,000,000,000 the matter of a few additional billion dollars indebtedness will be incidental. The only trouble is the suggested "if." Suppose we go into debt the billions of dollars and do not increase the economic turnover and must follow the English course of slow, plodding recovery, but still have the indebtedness to pay. It is my judgment that that is about where the present policy will lead us.

The third stage of every depression (and in this the Republican Party is interested) is the convalescent period. Things do finally settle down. Values become fixed. Confidence is again restored, and in the end capital again begins to reach out. Every handicap by way of restrictive legislation, every uneconomic nostrum that is imposed upon the public, every time additional restrictions are placed on business, every time you bind an individual with red-tape government regulations, you delay the recovery period as suggested.

To me it seems perfectly plain that the Republican Party should immediately commit itself to a restoration of the Government to fundamentals and that our fight should be made along this line.

BUREAUCRACY

The Democratic platform in 1932 said:

"We advocate an immediate and drastic reduction of Government expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance * * *."

President Roosevelt on July 2, 1932, said:

"As an immediate program of action we must abolish useless offices."

He further said:

"I accuse the present administration of being the greatest spending administration (meaning the Republican administration) in peace times in all our history * * *."

Let me suggest that the last report of the Civil Service Commission shows that we have the largest number of Federal employees on the pay roll since war times; that we have more commissions and more bureaus and more administrators than ever have been known to our Government. We have a $7,000,000,000 budget facing us. This cannot be explained away by the suggestion that we are fighting an emergency. The same emergency faced us when these promises were made in 1932 that faces us now. These same conditions were known to the Democratic Party and to its leadership. The promises made to get votes are at variance with the performances.

In fact, I look in vain for the fulfillment of the promises in the Democratic platform, but find many promises of the Socialist platform being carried out to the letter. Let me say to the merchant, let me say to the farmer, let me say to the industrialist this is no longer an emergency program, but a permanent program of political economic control. The President's message reads: "That we have created a permanent feature of our modernized industrial structure and that it will continue under the supervision but not the arbitrary dictation of government itself."

CONCLUSION

If, in this program that I have just described, representative government is to be displaced, if emergency relief is to bring a permanent revolutionary and socialistic change in our form of government, if our lands and forests are to be collectivized, if our Budget is to be forced out of balance, if we are to be subjected to every form of panacea that the human mind can suggest, then there is a heavy responsibility on the opposition party represented in this gathering here tonight. We should remember and deeply realize that regardless of all the socialistic schemes that have been tried in the world, in the end nearly everybody has to work for a living after all.

So let me congratulate the Republicans of Cuyahoga County. I am glad that as said in First Kings, it can be recorded: "Yet I have left me 7,000 in Israel, all the knees of which have not bowed to Baal."

To the Republicans in Ohio and to the Republicans everywhere, as has been suggested in Isaiah: "Go set a watchman"; and of these watchmen the country will be continually inquiring: "Watchman, what of the night?"

THE BANKING INVESTIGATION—ARTICLE BY SENATOR FLETCHER

Mr. ROBINSON of Arkansas. Mr. President, I desire to ask that an article written by the chairman of the Senate Committee on Banking and Currency, the senior Senator from Florida [Mr. FLETCHER], and published in the magazine, Today, under date of December 30, 1933; also an article entitled "Lessons of Banking Inquiry Summed up by the Chairman", published in the New York Times under date of December 31, 1933; and an editorial on the subject matter of the articles, published in the New York World Telegram under date of January 8, 1934, may be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From Today, Dec. 30, 1933]

THE FUTURE OF THE BANKING INVESTIGATION

Early in 1932 there were doubting Thomases as to the work of the Senate Committee on Banking and Currency and its duties. By propaganda and otherwise efforts were made to prejudice it in the eyes of the public and to minimize and discredit its work. The committee was accused of looking into closets for skeletons everybody knew were there, of digging up corpses which the public knew about, of tending to destroy confidence in financial set-ups, of interfering with business by muckraking, and the like.

But the public and the press as a whole, with practical unanimity, have since shown confidence in the committee. Today all questions of our purpose and the usefulness of our work has disappeared. Those who formerly criticized and undertook to sneer now admit that the work has been well worth while and that there is real need for reforms, corrections, and changes.

It is impossible to understand the significance of the present hearings before the Committee on Banking and Currency without going back into earlier Congresses. There have been many previous hearings on financial and economic subjects in both Senate and House without apparently reaching the public consciousness.

In 1913–14 the Pujo hearings, concerned with the so-called "Money Trust", were carried through laboriously under the questioning of Samuel Untermeyer, without producing marked results. Between 1913 and 1932 dozens of hearings in Congress as to stock exchanges, short-selling in general, economics in general, and banking problems have been held. They are scarcely remembered by the public.

It was the shock of the stock-market collapse in 1929 that ultimately led to the assignment of our duty and that prepared public opinion for a sympathetic reception of our work.

The committee has acted under three major resolutions of the Senate. The first of these, Senate Resolution 84, covered the following broad details:

A resolution to thoroughly investigate practices of stock exchanges with respect to the buying and selling and the borrowing and lending of listed securities, the values of such securities, and the effects of such practices.

Hearings under that resolution have continued from April 11, 1932, to the present day. They have involved long cross-questioning of Richard Whitney, president of the New York Stock Exchange, as to short-selling and other stock-exchange practices. His attitude at the beginning was almost flippant as to the technicalities of stock-exchange practices, but he has since shown an admirable spirit of cooperation.

It is not necessary or possible to mention all other persons brought in for examination. Reference can, however, be made to Percy A. Rockefeller, who testified as to his participation in various pools, syndicates, and joint accounts that involved no motive of increasing the wealth of the United States; to the testimony of F. H. LaGuardia, now elected to the mayoralty of New York City, and the evidence which he produced of publicity in newspapers and publications of New York and other cities purchased by gifts of stock to publicity agents; to the testimony of Walter E. Sachs regarding the Goldman-Sachs Co., the Goldman-Sachs Trading Corporation and other investment trusts, involving various food products, and the total operations of which resulted in a loss of $60,000,000, at least; to the testimony of Harry M. Warner and others regarding the motion-picture industry and its rapid expansion through the rush of investments from a public deluded as to the dependability of leaders in the industry; to copper stocks, both domestic and foreign.

Under the authority of the same original resolution the Kreuger & Toll investigations showed Donald Durant, as representing Lee Higginson & Co., in the unfavorable light of directing a $50,000,000 investment without ever attending a directors' meeting. These hearings were held on January 11 and 12 of the present year, but still under the authority of the Seventy-second Congress. Then came the Insull hearings from February 15 to 17, inclusive. At this point it is right to say that the testimony showed the creation of so many organizations pyramided on each other as to be beyond the comprehension of Owen D. Young, of the General Electric Co., as he testified, and beyond the control of Samuel Insull, Sr., before he and his brother, Martin Insull, temporarily left the United States.

Under the same resolution investigation showed the complicated weaknesses of the National City Bank in its relation to its affiliate, the National City Co. These revelations began to impress the public as a whole with the fact that this committee and its researches were approaching practical results that could safeguard the investing public. It was these hearings that fully showed up the wrong of bank directors having control of commercial deposits and yet having direct personal interest, not only in stock investments, but in stock speculation of the most arrant character. I do not hesitate to mention here the undoubted fact that the testimony of Charles E. Mitchell in February of this year will prove to have been the turning point in the willingness of right-thinking people to purify the financial activities of the United States not only as affecting banks, banking practices, and bank speculation but also as effecting stock-exchange practices as hereafter to be kept distinct from banking practices.

The other major resolutions under which this committee has operated are Senate Resolutions 56 and 97, which gave our committee authority to investigate the matter of banking operations and practices and the issuance and sale of securities and the trading therein. From that authority we have secured for the public a full understanding of the operations of investment bankers, very specifically J. P. Morgan & Co. and Kuhn, Loeb & Co.

Out of the Morgan hearings came the testimony of O. P. Van Sweringen, proving in the main that by means of a credit or loan of $1,000,000, the Van Sweringens were able to build up, with the contributions of the speculative public, that which can best be described as a "railroad kingdom." The Van Sweringens used various corporate forms, some of them confusing to the public, because they operated under various names of investment trusts and holding companies, one of them at least designed to evade the tax laws of the United States.

Out of the Kuhn, Loeb testimony came a surprising revelation regarding the Pennroad Corporation that, in the form of an investment trust, actually contravened the regulations of the Interstate Commerce Commission as to a consolidated management of certain railroad systems that should have remained separate in their control. Here again the holding company plays its part.

Under Senate Resolutions 56 and 97 also, we have investigated Dillon, Read & Co. and have shown, in part at least, the conditions by which the public of America were misled in both United States and foreign securities.

The Chase Bank hearings just completed brought evidences into light that the errors and evils of banking affiliates as opened up by the National City Bank hearings, had already affected, in advance of new legislation, the banking thought of America, leading to the gradual termination of affiliates in liquidating their resources and to their immediate elimination so far as new business or endeavor was involved.

It is expected the hearings will be concluded by or during January 1934. Because our final report will not be available till then it would be premature even to outline the possible conclusions of the committee.

However, some definite results in the form of valuable and important legislation already written into law by Congress have grown out of the hearings. They should be mentioned here.

First is the National Banking Act of 1933, which contains restrictions against loans for speculative purposes. It will be recalled that in 1929, funds were drawn from banks in all portions of the country and were syphoned into New York to the extent of billions of dollars, attracted by high rates of interest, reaching at times above 20 percent. These were known as "brokers' loans" and went into speculation in stocks and other securities. The Banking Act will check or stop this sort of thing.

We found the operation of banks through affiliates was a dangerous, vicious thing. In dozens of ways we established the need of separating affiliates from commercial banks. The functions of investment trusts and trading corporations are entirely distinct and outside real banking. Commercial banks should be and must be confined to their legitimate functions. This act takes care of that. It may be amended to go further, as the head of a large national bank now recommends.

The second act passed at the last session, based largely on developments by the committee, is known as the "Securities Act of 1933."

Of course, it was to be expected that such a reformatory and far-reaching piece of legislation would meet with a storm of criticism by those whom it was designed to reach and restrain or put out of business as enemies to the investing public.

The kind of recovery the majority of stock brokers have wanted and now want is that which depends for its progress upon the ups and downs of the market, leading to active sales such as prevailed during the boom of 1929.

If this act serves as a legal safeguard against trading in and out, it is well. (It should be understood that I distinguish clearly between investment for income on one hand, and speculation for gain without any performance of service on the other.)

The recovery we want is a slower and more healthy recovery—not the result of frenzied finance for the benefit of stockbrokers and their clerks. An increased demand for products and services, rather than securities, is what is needed. In fact, the drain of cash and credit resources into speculation is very largely to blame for the inability now to produce or to buy things of use. The country was overfed on securities prior to the crash of October, 1929—some good, some bad, and some indifferent. Acute indigestion followed. The volume of capital issues of stocks and bonds of domestic corporations exclusive of Federal, State, and municipal issues, reached a total of $8,002,004,000 in the peak year of 1929. The loss to the public resulting from that unloading would be found stupendous.

It is not to be wondered at, after the experience of 1929 and 1930, that the aggregate of such issues in the first 11 months of 1933 dropped to $145,000,000. Yet there will be no difficulty in raising long-time funds by or for legitimate industry, guided by honesty and put forth in good faith. As the American Banker stated in a recent editorial, "Sound ideas, not long-time credit, is lacking. It is not the credit funds that are scarce, but, rather, good borrowers are lacking." An experienced banker and expert was asked at one of our hearings what new industries were needing long-term financing. He could not name any, though he finally mentioned the radio industry as a possibility.

The business of underwriting securities does not look so attractive as it did to many former fiscal agents, and the reason is the Securities Act. Some of them in the past put their selfish purposes above ethics and fair dealing. Some directors of corporations pocketed their fees as recompense merely for the use of their names, as was shown by H. L. Stuart in the Insull hearings, and more particularly by Samuel Insull, Jr., who did not know how many corporations he directed, but did pocket over $100,000 a year in salaries and fees. Such men hesitate now to bring themselves to incur the new responsibilities imposed by the Securities Act. They do not like to be subjected, as the sponsors of a security offered to investors, to fitting and proper liabilities.

This complaining about the alleged drastic provisions of the act is unreasonable. Opponents really want to be left free to do as they have done in the past. They overlook its exemptions and magnify the penalties—as if the act would be worth anything without the penalties. Their attitude proves that. They quail at the liabilities imposed.

Directors must understand that they have certain responsibilities to meet, that their duties are not merely perfunctory or for show-window purposes. They should realize that they hold a quasi-trust relationship to the stockholders.

If an owner sells and makes an untrue statement of a material fact or omits to state a material fact necessary to prevent misunderstanding, he is liable to the purchaser and may be sued for recovery of the amount which the purchaser paid or damages which he may have suffered, provided the owner cannot show that he did not know and, in the exercise of reasonable care, could not have known of such untruth or omission.

For my part, I oppose this proviso and if we amend this act at all, I would insist on its going out of the act. It affords a wide loophole for escape from all liability by reason of misrepresentation of material facts.

But there is neither time nor space to discuss fully the helpful legislation known as the "Securities Act." I hope the movement to emasculate it will be defeated.

The committee has pursued the even tenor of its way without fear or favor. It has brought to light:

1. Deplorable conditions which even those next door to them did not know about.

2. Discreditable, unethical (not to use harsh terms) practices which no honest man would continue or should justify.

The testimony shows, for example, that during the boom years of 1928 and 1929, the quoted prices of securities were almost incredible. Testimony before this committee reveals both the why and the how. The answer to the why is found in the enormous profits garnered by operators in the market. The how is arrived at by viewing the parade of pools, syndicates, trading accounts, etc., testified to by participants called before the committee. These individuals, working mainly under the cover of secrecy, aided through campaigns of the most vicious type of misrepresentation and misinformation and by being able to work with other people's money and marginal trading, manipulated the market up and down until prices of securities reached on the exchange bore no discoverable relation to the value of the properties represented. The market was churned, supported, stabilized, sagged, recovered, depressed, and revived, in the course of developing a speculative mania.

3. Greed and selfishness in dealing with the public and even between themselves, which actors in high finance (bankers even) indulged in.

4. The reason confidence had already been shaken, and to a large extent destroyed, by the abuses and performances of those conducting them, in institutions heretofore looked up to almost to the point of worship.

The committee has aroused or strengthened an enlightened public opinion respecting the rights and the wrongs in corporate investment and activities. It has awakened an understanding of self-interest among those financiers affected, so that a basis of restoration of confidence and a healthy business situation can be established and maintained; for it is evident that market places are necessary for the transfer of securities and should be continued for reasons involving the following points:

(a) Convenience of investors or the estates of investors.

(b) Access of industries to funds for either initial development or expansion, or for the replacement of obsolescent elements.

(c) For standards of values when commercial banks loan on collateral.

Therefore, the committee will justify itself before the country, I think, in having demonstrated:

That the acts of financial crooks and racketeers must be made known in order to safeguard legitimate investors.

That holes in existing laws, particularly in income-tax evasions, must be plugged as soon as possible.

That there has been a "dollar diplomacy" in relation to foreign securities, both governmental and commercial, and that the Department of State was shown to be dangerously near to passing on the merits of foreign securities.

That manipulating and rigging of markets was common practice.

In due time the hearings will be printed, and I trust provision may be made for a full index to all hearings rather than merely a final full report, for the public should for years to come know how they were tricked into their own expressions of greed in speculation.

The committee will not gloss over any of the major revelations, yet at the same time it will not defend the gambling impulses of the millions who have influenced the expansion of the securities markets.

[From the New York Times, Dec. 31, 1933]

LESSONS OF BANKING INQUIRY SUMMED UP BY THE CHAIRMAN—SENATOR FLETCHER HOLDS IT HAS TAUGHT THE PUBLIC THE PITFALLS OF SPECULATION AND INDICATED A BROAD PROGRAM OF REFORM

By DUNCAN U. FLETCHER, Senator from Florida

I have been asked what 2 years of investigation by the Senate Committee on Banking and Currency has disclosed. It is difficult to make an adequate reply in a brief article, for the hearings have already produced more than 5,000 pages of printed report, and not one of these pages is valueless as shedding light on stock-exchange practices, banking, and income-tax methods.

Without assuming to speak for the committee as a whole in relation to its final report, or recommendations as to remedial legislation, I can say that two valuable results have already come from our hearings.

The first of these was the cooperation of the press in informing the public of the United States regarding the main features of the hearings; making known that there is little if any chance for the public against inside manipulations of pools, syndicates, voting trusts, investments trusts, etc.

The second valuable feature comes from Federal legislation growing out of the hearings during their progress. The Securities Act of 1933 and the Banking Act of 1933 were both related to our hearings. Both may need strengthening, but neither should be weakened; for all evidence points to greater rather than less supervision as being necessary.

A WARNING TO MILLIONS

An invaluable influence of our hearings yet remains to be brought forth; for the outstanding features of our final report must necessarily serve as a warning to the millions of the United States who have been inclined to stock-market speculation and who have lost billions of their resources thereby.

We shall be able to show that the average person, remote from stock exchanges, has not one chance in a hundred to make profit in the long run from speculation. A witness made this statement in one of our hearings:

"I do not think as a rule people get right down to the fundamentals of markets. The best definition that I know of what makes a bull market and a bear market is given in a book by Walter Bagehot, who was, as you know, governor of the Bank of England and wrote Lombard Street: 'When a lot of very stupid money gets into the hands of a lot of very stupid people, you are going to have inflation and speculation and boom; and when a lot of very foolish people have spent a lot of very foolish money, you are going to have deflation, depreciation, and panic.'"

BLAINE ON SPECULATION

Senator BLAINE, in one of our hearings, quoted President Hoover on speculative fevers as follows: "In such cases 99 percent of the capital raised comes from persons who buy shares, not on any knowledge of the enterprise beyond its market nickname but because of the fullness of hope that they may resell the shares to some other outsider on the following morning at a higher price."

Furthermore, we shall be able to show that stockbrokers, as a whole, are interested scarcely at all in forms of permanent investment, but are chiefly interested in stirring up market activities—in and out, buying and selling, lifting and depressing prices, etc.—so as to secure fees or commissions for buying and selling.

We shall also be able to show that the public mind has been influenced in the past few years by "old counselors" (see Halsey, Stuart & Co. testimony), by college professors, by creditable and discreditable periodicals, and by tipster sheets, market circulars, etc., seeking to persuade the public away from permanent investment in bonds to speculation in stocks. Between January 1 and December 31, 1929, 1,124,990,980 shares were traded in the New York Stock Exchange at an estimated gross result in commissions of $191,248,553. Commissions on bonds during the same period were estimated at $7,550,000.

We shall also be able to show that through new financial devices the investor himself has been pushed further and further away from any voice or control in some of the larger corporations, through voting trusts, pyramiding corporations on corporations, and investment trusts. In this direction nothing quite so disturbing was shown as the intercorporate holdings of the Insull group; Samuel Insull, H. L. Stuart, and Samuel Insull, Jr., being voting trustees for the securities of corporations in many parts of the United States, running up to several hundred millions of dollars, all under one control or contributing to that control.

Just to name a few will refresh the public mind: The Corporation Securities Co. of Chicago, Insull Utility Investments, Inc.; Public Service Trust, Public Service Subsidiary Corporation, Utilities Securities Co. There were dozens of others, including Insull, Son & Co., Inc.

BANKING AFFILIATES

In connection with our justifiable denunciations of such financial schemes and methods we shall mention as fully as necessary the banking affiliates whose operations by the same set of officers, in control of the banks and of the affiliates, handled, contrary to the interest of the public, the public's funds for speculation in definite stocks, including in some cases the stock of the banks themselves, regardless of the interest of the bank's stockholders or depositors.

The testimony of Charles E. Mitchell, as chairman of the board of the National City Bank, was a scandalous page in the history of positions of financial trust. The testimony of Alfred H. Wiggin as to his relations with the Chase National Bank and its affiliate was equally shocking.

Promotion schemes show in some cases a purely artificial set-up, the expenses or profits of which the investing as well as the speculative public pay for. The testimony of Dillon, Read & Co., and others, for instance, regarding the handling of foreign and general securities, showed such operations as these: Purchasing syndicates, distributive syndicates, trading accounts, and direct retailing to individuals, so that the purchaser under pressure of the market has paid profits on methods that have no relation at all to the intrinsic value of the securities he buys.

THE VAN SWERINGENS

For testimony along such lines the public should read of the Alleghany Corporation as floated by the Van Sweringens through J. P. Morgan & Co.; the Pennroad Corporation as floated through Kuhn, Loeb & Co. This method of piling up costs was particularly shown in the floating of foreign securities, which leads me to refer to the stupid, I might say, astounding testimony of Donald Durant, who represented Lee, Higginson & Co. in marketing the Kreuger-Toll securities. He testified that he was the one American director and that he never attended a directors meeting in connection with that $50,000,000 flotation, or at any time.

One of the worst defects of stock-exchange activities was shown up in certain cases where the securities of corporations continued to be traded in by stockbrokers for purchasers after the corporation itself had gone into a receivership or become bankrupt.

This cautionary word is, however, necessary in advance of our final report: There are in the United States several hundred thousand legally chartered corporations—403,173 submitted balance sheets for 1930 to the Treasury Department in connection with their income-tax returns. Their capital stock represented $106,184,000,000.

Possibly not more than 3,000 of these corporations are listed in stock-exchange activities of the United States. The vast majority of them are represented by local interests, where the investor can see his property and knows personally the men or group of men responsible for administering that property. If I were for a moment to indicate that the reasons for individual confidence in other individuals have ceased to be justified in the United States, I should be foretelling Nation-wide disaster and the end of our form of civilization built on mutual trust.

These things are certainly indicated, as related to the final report:

1. There is need for a method to make accessible to the investing public everywhere frequent reports on corporate activities. Such a change cannot be brought about effectively except through Federal action; for corporations are artificial beings created by States, and there is no uniform law of incorporation or of control in the 48 States and the District of Columbia.

AN OVERSEAS EXAMPLE

The British Companies Act deserves our earnest consideration as effecting corporate morality. In England every corporation is under the control of the Government from its inception to its end. Hence our Securities Act cannot in every detail follow the British Companies Act.

2. Pitiless publicity should surround the operations of syndicates, pools, etc., if such methods of affecting the market continue at all. The hearings showed no public value to any such scheme. The real interest of the stock exchange is involved in this question.

3. Through the cooperation of all exchanges, buying on margin, if continued at all, should be continued under strict control, so as to prevent mere gambling and the massing of depositors' moneys from over the Nation in the form of brokers' loans. In September 1929 brokers' loans in New York were $8,500,000,000; in November 1929 they were $4,000,000,000.

4. Corporations should be strictly held to the specific purposes for which they were created.

5. Directors should be compelled to direct; for they are quasi-trustees and represent the morality required of a trusteeship. As recommended by Mr. Aldrich, officers of a bank should be required to disclose all their personal loans above a nominal amount to the board of the bank. Officers of the bank should be prohibited from participating, directly or indirectly, through dummies or otherwise, in syndicates, trading accounts, and pools. Officers should be compelled to disclose to their boards all their outside business and financial transactions. They should not be permitted to use the bank to favor outside interests.

No officer should be permitted to occupy the position of serving two masters.

No man should be allowed to appeal to the public to buy securities about which he is unwilling to tell the truth.

PRICES AND VALUES

Assuming that this brief statement regarding the hearings before the Senate Committee on Banking and Currency will be read by several hundred thousand people, it seems to me very appropriate to invite the sober-minded people of the United States to recognize the difference between prices and values. Our hearings—as the public is well aware—have shown that prices of securities other than bonds rose to a ridiculous height in 1929.

In fact, so ridiculous was the speculative fever that stocks with no par value and with no dividends in sight or promised or declared went up to $150 or more. The shares of Insull Utility Investments, Inc., were just such a type, reaching $149, and the testimony of H. L. Stuart, of Halsey, Stuart & Co., was that the public would have taken vastly more Insull securities than were offered because they believed in Samuel Insull and were hypnotized by his financial empire.

To carry the thought further, various constituent-operating utilities in the Insull set-up were then and still are earners of dividends, and hence have value. This is true of every well-founded, well-managed corporation in supplying the needs of the consuming public. Therefore the prices reached in a bull market—a market constantly rising higher and higher—do not affect permanent values one way or the other, and hence sensible people of the United States must cease watching speculative stock prices every morning to know if America is prosperous, or recovering, or what not.

FALL IN STOCK VALUES

In September 1929 the stocks listed on the New York Stock Exchange had a quoted market price of $97,000,000,000. In May 1932 the same stocks had a quoted market price of $14,000,000,000. While the shrinkage of $83,000,000,000 represented losses to speculators that had appalling effects on public confidence, nevertheless the quoted price in May 1932 was no statement of genuine values.

If the millions become familiar with the teachings involved in our final report, the influence of these hearings will extend for years and stop foolish people from slaving and toiling in order to save up for speculation. The same influences of the press that have made the hearings familiar to the public will be counted upon by the committee when its report is submitted to the Seventy-third Congress.

But when all is said as to what might be done or should be done, this important fact remains—no rules, regulations, laws, restrictions, or whatnot can prevent a man from being a fool or a knave if he chooses to be a fool or a knave.

[From the New York World Telegram, Jan. 8, 1934]

THE WHOLE STORY

President Roosevelt, in his message, paid high tribute to the banking and stock-market investigation of the Fletcher Senate committee by his blistering condemnation of the financial racketeering thus far disclosed.

They call, the President declared, on the strong arm of the Government for their immediate suppression; they call also on the country for an aroused public opinion. He asked for stringent preventive or regulatory measures.

The country has been aroused. So has Congress. They should be kept aroused until Congress has legislated wisely, effectively, and thoroughly. To accomplish these objectives the Fletcher committee should continue until the whole story is laid on the record. Much has been told. But much remains to be told.

President Roosevelt's denunciation of reckless speculators was even stronger in his message to Congress than in his inauguration address when he stirred the country by his pledge to "drive the money changers from the temple." That is easy to understand.

He and the country have learned many bitter facts since—how Albert H. Wiggin attempted to use the world's largest bank for

his own speculations; how Wiggin and other so-called "giants of the boom era" alternately puffed and deflated the market at their will to reap fortunes at the expense of the unwary and uninitiated; how Clarence Dillon got control of millions of other people's money by shoe-string investments; how a group of banks in Detroit were ruined by fancy promotion and thus set off the explosion which rocked the Nation; how the House of Morgan extends its financial control into the lives of nearly every citizen.

This is not the whole story. Chairman FLETCHER, who has promised "to go the limit", is prepared to get it all. The veteran legislator resisted successfully those who sought to stop the inquiry a few months ago. He deserves the support of the country for his faithful public service and his determination to complete the job.

The lamb in the 1929 crash wants to know how the New York Stock Exchange operated in those high-flying days—and why. The Senate committee next will address itself to this task.

The Fletcher committee's inquiry perhaps has shocked none more than honest bankers. As evidence of guilty consciences in high financial circles, they have seen shake-ups in command of the Nation's big banking institutions. These honest bankers want the whole story, too, for it affects their business.

THE NEGRO AND THE N.R.A.—ADDRESS BY JAMES J. HOEY

Mr. COPELAND. Mr. President, I ask unanimous consent to have printed in the RECORD a radio address delivered by Hon. James J. Hoey, United States collector of internal revenue at New York City, on Sunday, December 31, 1933, on the subject of the Negro and the N.R.A.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

It is indeed a privilege to participate in this joint discussion concerning the welfare of the Negro on the subject of "The Negro and the N.R.A." I feel particularly honored that I have been chosen as the first speaker to open the subject which I am sure our listeners-in will regard as a very important national question. I say national, because the grave problems confronting the Negro are not so much racial as they are interracial. This problem, affecting the lives and destinies of 12,000,000 American citizens, is both national in its scope and consequences and deserves the interest and cooperation of all Americans.

May I at this time be permitted to say as a former member of the State legislature and one who has been in close touch with State and city problems for many years, that I have acquired an interest and knowledge of the many social, industrial, and economic problems of the Negro. For more than 30 years I have had an intimate acquaintance with the many colored citizens in this part of the country and am familiar with the many undertakings launched in the interest of the Negro. May I say, in a word, that I have both a sympathetic attitude and an understanding interest.

I realize that the Negro is confronted with a host of problems which concern and affect the progress and the future of the race, and yet it seems to me that the most serious and far-reaching problem, one which demands an early solution, is that of occupational opportunity and employment. The field for vocational opportunity for the Negro who is equipped with a higher education and the opportunities for employment in the various trades and industries are distressingly limited and restricted. While this problem dates back to the time of the Emancipation Proclamation, it has become infinitely more serious during our present economic depression.

Some months ago I made an investigation of the unemployment problem among our Negro citizens in Harlem and was alarmed to find that the unemployment of the Negroes in our own city is more than 60 percent. Incidentally, I am informed that in some cities it is as high as 90 percent. I have learned that wherever there is a condition of unemployment the Negro is the first to be fired, and as conditions improve he is the last to be rehired. I find that this condition is Nation-wide; that Negroes as a group are the greatest sufferers in the depression and do not receive the benefits of employment under the N.R.A. In fact, the minimum-wage provision of the N.R.A. operates to the distinct disadvantage of the Negro.

For example, where an employer had a Negro elevator operator at $10 a week, finding himself forced by law to pay a minimum wage of $15 weekly, he fires the colored man and hires a white man to take his place. I realize that this condition could not have been foreseen during the enactment of the law, and yet the fact remains that the National Industrial Recovery Act up to the present time has been of no advantage to the Negro. That is all the more reason why some other steps should be taken to help the Negro.

At the present time, the number of vocational and occupational opportunities for the thoroughly qualified Negro is so limited that we find the Negro college graduates are forced to accept employment in the most menial capacities, as porters, cleaners, and elevator operators, and yet tens of thousands of our Negro youths are today attending colleges with high hopes of the future but with little chance of being able to utilize their education in their chosen field of endeavor.

How many of my listeners realize the very high percentage of Negroes, with one or more college degrees, to be found among the porters carrying hand luggage in many of our large terminals? These men are ambitious and industrious, and, of course, would vastly prefer to make use of their education, but they are compelled to accept whatever employment is open to them. For one I deplore the injustice of this situation. Indeed there is something fundamentally wrong when the employers of America are not aware of the justice and necessity of opening the doors of opportunity so as to provide new fields of employment and of increasing the number of Negro employees.

While I am in favor of higher education for the properly qualified youth of every race in America, I feel that the most important problem for those individuals, associations, and foundations interested in the future of the Negro is this question of opportunity. These associations should, for the time being at least, suspend their interest in higher education and devote their efforts principally to the task of creating wider opportunities of endeavor and employment for the Negro, and impress upon the employers of America the necessity of giving the colored race a just and proportionate share in the opportunities of employment. I feel that the Negro youth, before he makes the sacrifice involved in seeking a higher education, should be made aware of the fact that only rarely do the Negro graduates of our colleges find their proper place in business or in the professions for which they are so well equipped.

I am not advocating that the Negro group be restricted to the various trades and industries. They are, they should, and they will continue to achieve high places in the arts and professions. But I insist that something is wrong when we find that the greatest endeavor is made to provide higher education for the more talented minority and at the same time comparatively little is being done to encourage and assist the great majority in securing education and training in the trades, industry, and agriculture. Furthermore, almost no effort, commensurate with the great need, is made to augment and increase the number of occupations available to the Negro employees. Up to now no adequate appeal has been made urging the employers of America to employ a just and fair proportion of Negroes, both in clerical positions and in the ranks of skilled and unskilled labor.

It is not necessary for one to pose as an authority on the question of the Negro in agriculture, in order to maintain that if there were more Negroes with proper and adequate agricultural training there would be fewer poverty-ridden Negro tenant-farmers and more successful farm owners, and a higher rate of wage for Negro farm hands in the rural sections of the country. Also, there would be less racial despair and more hope and contentment, as well as an improvement in the standards of living.

Although this may be called good economics and sound sense, it is essentially a question of opportunity and justice. As has been well said by a leading sociologist—

"Nothing is so dangerous for a country as when a considerable number of men come up against a wall of despair of their future progress. Next to that is the danger when any considerable number of men get the idea that there is no opportunity. On the other hand, nothing makes a man work and strive like the open door of opporunity. The chance or the hope of improving one's conditions is a tonic to anyone to work and serve. The importance of the idea of opportunity in American citizenship must be obvious."

I suggest that the various philanthropic groups, institutions, and educational foundations, such as the Carnegie Foundation, the Rockefeller Foundation, and the Phelps-Stokes Fund, investigate this great problem. They should make a survey to determine all the facts and publish their findings and recommendations. Thereafter they should lead an extensive campaign of education among the employers and industrial leaders of America to the end that the neglected Negro majority may, in greater numbers, secure the essential opportunity of employment and livelihood and the chance of promotions and advancement, each in his own field of occupation.

In conclusion let me say that such a program carried to a successful completion would prove the greatest single achievement in racial justice for the Negroes in America since the Emancipation Proclamation of the Great Liberator, Abraham Lincoln.

ESSENTIAL UNEMPLOYMENT LEGISLATION

Mr. FRAZIER. Mr. President, I ask unanimous consent to have printed in the RECORD some speeches made at a conference on essential unemployment legislation, called by the Joint Committee on Unemployment and held in Washington, December 9, of last year.

There being no objection, the speeches were ordered to be printed in the RECORD, as follows:

PROGRAM FOR NATIONAL ASSISTANCE

(By H. L. Lurie, Director, Bureau of Jewish Social Research, New York City)

The necessity for relief of the unemployed is an acknowledgment of our failure to organize our economic life with intelligence and to provide opportunities for productive effort on the part of the total laboring population. An acceptance of this basic fact is fundamental to planning unemployment relief. Hastily conceived and executed emergency relief measures may be necessary as expedients to alleviate suffering and to avoid economic collapse. These plans should be judged, however, on the basis of the contribution which they make to an intelligent and socially desirable organization of economic affairs and public welfare. To continue on the assumption that all measures are of an emergency and temporary nature is exceedingly fatuous. We

must grasp the realistic fact that we are engaged in a process of reorganization of public welfare as well as of economic affairs, and that in the emergency relief measures we are laying the groundwork for our continuing social and welfare policies.

It needs to be emphasized that the United States does not possess an adequate system of public welfare and relief. What we have instead is an antiquated and haphazard aggregation of poor-relief services which represent, in general, an unsatisfactory and socially inadequate method of dealing with the problems of individual and family need. This traditional system of local poor relief presenting wide variations in the administrative practice and in standards of welfare has been modified in some sections of the country by more recent developments of special relief for dependent mothers, the aged, and other classes of dependents. There has also been in recent years some improvement in administration of local relief, but for the most part the basic character of poor relief remains unchanged. Destitute individuals and their families who become the recipients of aid are treated as though they were primarily personal failures and incompetents. Institutional care typified by the almshouse still remains the basic approach of public poor relief in too large an area in this country, although in recent years there has been considerable extension of the method of home relief in the larger urban centers. Infrequently is there an attempt to provide assistance which measures up to a decent standard of living. Relief in most instances follows the pernicious doctrine of "less eligibility" inherited from previous generations. This means that the relief authorities do not endeavor to provide for the needs of individuals except upon the most minimum and niggardly basis of assistance which is insufficient in many instances to provide even the bare essentials for physical survival. This inadequacy is as frequently a matter of social philosophy as of financial limitation. While some of the qualitative aspects of poor relief have been improved and humanized by the activities of voluntary agencies, the effect upon poor relief in general has not been extensive.

In discussing the national program of relief for the unemployed, we must not lose sight of the fact that the systems of relief upon which it is being grafted are essentially haphazard and inadequate in character and based upon the outworn concepts of the individual's responsibility for his own poverty, the theory of less eligibility and of unrestricted aid. It is this system of poor relief which under pressure of the crisis assumed some degree of responsibility for the millions of destitute unemployed and their families as well as for an increased number of other classes of dependents who were forced to resort to such means for maintaining life.

The preceding session of Congress authorized and the various administrative units established by President Roosevelt are developing a program of unemployment relief which may be said to mark a constructive advance in the history of poor relief in the United States. The program began with grants of Federal money to States for their unemployment-relief activities. As compared with the loans or advances to States under the Reconstruction Finance Corporation, which had been the reluctant contribution of the previous administration to the problems of unemployment relief, the present measure constituted at least a realistic acceptance of Government obligation to provide resources for relief purposes. Essentially, however, the new program of Federal aid was a bolstering by the National Government of the antiquated local poor-relief systems which had reached the breaking point in many localities owing to the unavailability or exhaustion of local and State funds. There was, however, the recognition that without discarding the century-old system of local responsibility the Federal Government had a real obligation to provide funds during a period of economic stringency.

The reports of the Federal Emergency Relief Administration estimate that in March 1933 the peak load of relief was attained with a total of 4,560,000 families in the United States receiving unemployment relief from public funds. Including single resident individuals and recipients of mothers' aid and old-age relief approximately 20,000,000 individual persons, one sixth of the total population of the United States, were being assisted. Based upon reports to the United States Children's Bureau from a representative number of cities, the average monthly relief per family in the industrial centers has been approximately $20 a month. There have been considerable variations in relief standards, and in many sections of the country families on relief this year have been receiving as little as from $6 to $10 a month for all forms of relief. Social-work experience offers ample evidence that low relief costs mean inadequate food budgets, lack of provision for shelter, nonpayment of rents, failure to provide clothing, medical supplies, fuel, and other essentials. Even if we were to assume that relief is being given to many families who have some additional limited income from other sources, it is doubtful whether the average expenditures of the 20,000,000 persons assisted in the United States in March 1933 can be estimated as having amounted to more than 40 percent of the previous expenditures of these families. We know too well that the standard of living which they are experiencing is similarly deficient.

It is to the credit of the Federal Emergency Relief Administration that from its inception it has helped to raise the level of relief standards through more generous appropriation, and that it has attempted to set forth minimum standards of relief, which in many States exceed the level previously attained in these localities. The F.E.R.A. has also been concerned with the problems of special classes of the unemployed, with the standards of relief administration, and has developed a program for the transient and homeless group. Through a slow and gradual process it is conceivable that the Federal Emergency Relief Administration as originally planned might have succeeded in improving the machinery of local poor relief and of raising the standards of adequacy and of administration in unemployment relief programs. Although progress has been made in a number of States, it cannot be said that standards of relief for the country as a whole at this time approach the level of minimum adequacy. There is still a long way to go in reaching a decent standard of relief and method of relief administration in a majority of the States. It is to the further credit of the administration, however, that it has not been satisfied with merely continuing the local relief programs based upon an antiquated theory of public assistance, including the makeshift programs of work relief. Within recent months more construction measures have been put into operation which indicate a tendency for progressive action in dealing with the problems of unemployment relief.

In the program of the Civilian Conservation Corps some progress was made in divorcing young members of families from the wasteful system of idleness and dependency which poor relief encourages. Conceived as an emergency measure, it is becoming obvious that changes and extensions of the program need to be made if it is to be continued indefinitely as a measure of Federal employment. The project is employing approximately 310,000 young men on a type of work which can be considered as preparing for future vocational opportunities for only a small fraction of the group. It is important, therefore, that the period of voluntary enlistment in the Civilian Conservation Corps be used for furthering educational and vocational experience. An attempt should be made to integrate the program of the Civilian Conservation Corps with the projects for public works, with the aim of supplying vocational experience leading to employment in skilled construction trades and to industrial opportunities. Diversified trade and occupational training would similarly be helpful for selected groups.

Another development in Federal relief has been the organization of the Surplus Relief Corporation for the distribution of surplus agricultural products to the unemployed and other dependent groups. This program may be said to be a crude but nevertheless a realistic attempt to resolve the paradox of destitution in the midst of plenty. Whatever may be said for the project from the point of view of economics, for example, that it is an attempt to create an illusion whereby a part of what has been produced by agriculture is supposed to be absorbed or to disappear, thus leading to the enrichment of the producers, this attempt to distribute surplus products among the unemployed is admittedly a more intelligent and socialized procedure than the expedients of plowing under, burning, dumping, and other methods of destruction which have been resorted to. One disadvantage of the surplus-relief plan, from the point of view of unemployment-relief programs, is that in some parts of the country, where cash relief has been the method of assistance, a less desirable method of relief distribution is being introduced. Instead of treating the unemployed as normal purchasers and consumers entitled to some latitude and personal judgment in the use of relief funds, the food-distribution plan makes them more definitely wards of the State, which determines their consumption habits. Where the commissary method of distribution of relief is already in existence, no radical change in method is introduced by the surplus-relief plan. Aside from disadvantages as a method of relief distribution, it must be acknowledged that the additional items of pork, peanut butter, dried fruit, etc., add to the limited dietary and inadequate food allowances of relief recipients.

Social workers regard with enthusiasm the program of the Civil Works Administration, which is now progressing rapidly. In this project we have a more modern and satisfactory plan of dealing with the millions of normal workers who have been made jobless by the depression. The Civil Works Administration is attempting to transfer 2,000,000 of unemployed from the status of relief clients receiving a meager dole, directly or on the basis of "made work", to the status of independent workers for whom the Nation is establishing normal and productive work on public projects. In addition, an equal number of work opportunities are being made available to unemployed persons not on relief, which means work opportunities for the jobless who have not yet reached the point of destitution, which makes them eligible for charitable assistance. Through civil works the test of destitution as the basis of eligibility for unemployment assistance has been eliminated, a rate of wages approximating the normal wage rate for skilled and semiskilled effort has been established, and the unemployed whom it serves are freed from the restraints of supervision and tutelage. Thus at one step the Federal Government is virtually repealing the theory of poor relief with its pernicious doctrine of destitution and of less eligibility of the indigent. No longer is the unemployed man or woman looked upon as an instance of personal maladjustment, but as a jobless worker for whom the Nation has accepted an obligation to provide an opportunity resembling normal and remunerative employment.

The plan of the Civil Works Administration has been announced as a temporary measure. We urge this Conference on Unemployment Legislation to insist upon the plan of Civil Works Administration being continued as a permanent measure of unemployment relief so long as private industry and public works combined are unable to absorb the entire potential labor power of the Nation. It has been estimated that the funds that have been made available will be exhausted by March 1. It is inconceivable that the entire surplus labor of the Nation, which may be esti-

mated at this time as between 8,000,000 and 11,000,000 persons, will have been normally absorbed by the various developments of the recovery program within the next year. It is difficult to estimate the cost of continuing the civil-works program, but unless there is a rapid reduction in the ranks of the jobless, at least $200,000,000 a month might be required for the year 1934.

Whatever may be said in criticism of the Civil Works Administration, of shortcomings in the effectiveness and utility of the projects or of inadequacies in methods of selection and administration, the plan itself is essentially desirable and progressive so long as more radical measures of economic organization are not placed in effect. The defects of the civil-works plan, largely due to the rapidity with which it has been placed in operation, can be eliminated in time and improvements made in the nature of the projects, their social utility and efficiency, and in the methods of administration. The civil-works plan should be permanently retained as an auxiliary method of unemployment relief. It need not interfere with a desirable development and enlargement of the public-works program.

Although of outstanding importance, the Civil Works Administration is concerned with only a part of the relief and social welfare needs related to poverty and unemployment in which the responsibility and the participation of the Federal Government are required. The demoralizing effect of the depression itself has tended to increase the number of unemployable and partially employable for whom continued relief measures and constructive programs for treatment are essential. The present load of the public-relief agencies, depending in many localities largely or entirely upon Federal funds, contains many aged and superannuated individuals, heads of families incapacitated by illness and chronic disease, and broken families due to death, desertion, and hospitalization of wage earners, dependent children, and others for whom there is needed a program of public assistance more desirable than those now available under various forms of poor relief. It is impossible to draw a sharp dividing line between those in need because of unemployment and those suffering from other conditions leading to economic insecurity.

The customary programs of relief and social service which deal with the various classes of dependents and other social needs of the community have been greatly attenuated and in some instances have broken down. It has been generally acknowledged that private philanthropy was inadequate for organizing a program of relief for unemployment; it is similarly inadequate to deal with the large problems of poverty and dependency which are the casualties of our economic life. To some extent the ability of States and municipalities to provide for various dependent groups and to continue satisfactory public-welfare programs for education, hospital care, health and recreation has been affected by the dwindling of local and State resources intensified by the fact that under Federal policy and stimulation local and State resources are being diverted to the emergency program for unemployment relief. The Federal Government has demonstrated that of all governmental agencies it alone has the power to regulate economic affairs and the authority to divert national income for social-welfare purposes. It is desirable, therefore, that the principle of Federal responsibility be extended to assure to every family and every individual a minimum of economic security, irrespective of the ability of the labor market to absorb him or his own ability to become an effective participant in production.

It is important also that we recognize that an adequate program of unemployment relief should seek to repair the ravages to social institutions and public welfare which the depression has caused. We should not for a moment overlook the fact that we have reached an economy of surplus and that adequate resources are available in this country for a high standard of social well-being. We should, therefore, not be content with presenting a minimum program of relief assistance but should urge a maximum program of social reconstruction, restoring to the country the standards of living and culture which we had previously attained. For this reason the effect upon our educational institutions should be included in those matters of concern to the national recovery program. The Federal Government must accept the responsibility of restoring and maintaining our educational system. Included in educational problems there is the particular problem of provision for higher education, particularly for the youth above the age of 16, endowed with capacity for intellectual achievement. It is making poor use of our human resources to consign gifted youth to the status of jobless, unskilled labor, and blind-alley occupations. The Federal Government should be urged to subsidize State universities by providing educational scholarships for tuition and maintenance of qualified youth whose intellectual capacity makes them potential assets of a high order to the welfare of the Nation. Such a program would supplement the Civilian Conservation Corps and be available to those who qualify on the basis of merit and educational preparation.

To achieve these objectives there should be developed a program of national assistance as the keystone for State and local program of public welfare. Pending the establishment of adequate pension and insurance plans the Federal Government should subsidize and set standards for the adequate relief of various classes of dependents, including widows, dependent children, aged, and incapacitated. Relief funds of the Federal Emergency Relief Administration should be made available to the various States for these purposes.

The Federal relief plan should seek, in cooperation with States and municipalities, to provide sufficient funds to assure decent standards of living for all classes of dependents, including adequate provisions for health and medical care, and should aid in the setting up of adequate organization and administration of State and local public-welfare programs.

We recommend, therefore, as a logical development of the Federal Emergency Relief Administration and related Federal projects, the establishment of a national department of public welfare to include the following functions:

First. Assurance of normal employment on governmental projects for the entire labor surplus (continuance of programs of Civil Works Administration and the Public Works Administration).

Second. Federal participation and subsidies for the relief, pensions, and service programs in the various States for mothers' aid, the aged, and disabled workers.

Third. Federal aid to programs for the care of dependent children.

Fourth. Federal aid to States and municipalities for development of services of hospital and medical care.

Fifth. Federal aid to States for programs of care of physical and mental defectives.

Sixth. Federal aid to education including maintenance scholarships for those qualified for higher education.

PUBLIC WORKS

(By M. H. Hedges, Director of Research, International Brotherhood of Electrical Workers)

"Public works as an avenue to recovery has not been tried in the United States. It is not being tried today, but may be by next spring when the full impact of the present program of building may get into full swing. As an unemployment-relief measure, public works has been a godsend to union people throughout the United States during the last year and before. The International Brotherhood of Electrical Workers has positive evidence of where local unions have been saved by public-works jobs in their communities", said Mr. M. H. Hedges, research director, International Brotherhood of Electrical Workers.

Mr. Hedges went on to give figures to show the actual expenditures in the public-works program in the United States for the last 10 years. He also presented figures, well authenticated, to show for every billion dollars of construction spent by the Government, 200,000 building-trades workers were put to work, and 400,000 workers in cognate industries were given additional employment. He touched the question of how to energize capital goods industries other than by reducing wages, and explained the relationship of the building-trades unions to the public-works organization of the Government. He said this was on the whole satisfactory.

He predicted the public works and other collectivistic programs of the Government will, and must become, a continuous process during the next 10 years.

PUBLIC HOUSING

(By Frederick L. Ackerman, Consultant, Housing Division, Public Works Administration)

Since the announcement of the incorporation of the Public Works Emergency Housing Corporation many questions have been asked as to how it will function.

The Public Works Administration will continue to loan on slum-clearance operations and low-cash housing projects sponsored by public bodies and limited dividend corporations. It is the intention of the administration to undertake the work through the Emergency Housing Corporation only upon invitation from local officials or groups of representative citizens or civic organizations—where the Housing Corporation initiates, local group and agencies will be utilized to the fullest extent possible in the acquisition of sites, design, construction, and operation of the projects.

By confining the work of the Emergency Housing Corporation, at the present time, to the clearance of slum dwellings and the production of a like number of low-cost units, limited as to rentals and restricted as to occupancy to the low-income group, the administration can stimulate one of the basic industries and provide like or more employment for the sums expended.

(By Dr. Sidney E. Goldstein, of the Free Synagogue, New York, chairman the executive committee, at the conference of joint committee on unemployment, Saturday, Dec. 9, 1933, Washington, D.C.)

The Joint Committee on Unemployment has assembled in Washington to consider legislation that is now essential in our national life. Three years ago this committee, composed of 17 national organizations, presented to Congress and the President a 5-point program. Our program called for Federal relief, unemployment insurance, limitation of the hours of labor without decrease in wages, elimination of children and the aged from industry, and construction work that would include housing on a national scale subsidized and controlled by the Government. Four items of this program have been incorporated in the codes and the President's plan for recovery, but not to the extent that we have advocated.

We believe that the relief must be more adequate; that the hours of labor must be reduced to 30 per week; that the minimum wage must be sufficiently high to assure a decent standard of living for every family; that unemployment insurance must be included as a part of the national program; that child labor must be ended through an amendment to the Constitution; and that the construction program must be advanced with greater speed and our cities rebuilt, the disgrace of the slums removed, and suitable homes provided for the working classes. We believe also that the right to labor is one of the fundamental rights of man, a right just as fundamental as the right to life or liberty or the

leisure in which to develop our powers and personalities. But the most urgent and acute problem that the Nation faces today in our judgment is summed up in the question that is central to the conference: How can we restore our purchasing power to the mass of workers in America?

Every layman as well as every economist understands that unless the great mass of workers possesses purchasing power it cannot buy; if the workers cannot buy, merchants cannot sell; if merchants cannot sell, farmers and manufacturers cannot engage in production. The trouble today is not that we lack purchasing power and income in the country. The total national income in the country and the total national purchasing power, even in these days of doubt, is large enough to maintain every individual and every family in the United States upon a decent and self-respecting level of life. The trouble is not in the total amount of our national income, but is found in the fact that the income of our country is inequitably and unjustly distributed. The result is that a large percentage of our people has too little, and a small percentage of the people has too much. One of the causes, perhaps the chief cause, of the economic catastrophe is that the purchasing power in America was drained out of the mass and stored up in reservoirs controlled by a few.

For a normal economic life we must have four or five economic elements. We must have material, we must have machines, we must have men, we must have markets, and we must have money. All these elements we possess today. Material we have in abundance more than we need; machinery we have in excess, much of it rusting in idleness; men we have to the number of 10 million in the armies of the unemployed; markets we have, both at home and abroad; and money we also have. But the money that we need and without which all the other elements cannot operate is dammed up in vaults and controlled by the temporary masters of our economic organization. As long as these masters remain in control there can be no redistribution in accordance with the principles of equity and justice.

The national income, we must recognize, cannot be redistributed through an increase in credit power. Credit power at the top does not filter down into purchasing power at the bottom. The income of the country, we must also acknowledge, cannot be redistributed through an increase in prices. Prices always advance faster than wages. Every increase in price means an increase in the cost of living and a consequent decrease in wages and the purchasing power of the people. There is only one way in which the national income can be justly and equitably distributed, and that is through a limitation upon the amount that each man may retain from year to year. The limitation upon income must be made upward as well as downward. There is a point below which no wage should fall as a matter of decency and justice, and there is also a point above which no income should rise, also as a matter of social justice and human decency. We must agree not only upon a minimum wage; we must also agree upon a maximum income. The minimum wage can never be high enough to be just, unless the maximum income is low enough to make justice possible. Men may call this method of redistribution of the national income confiscation; we call it conscription. In the last great emergency declared by Congress the Government conscripted our bodies and our brains. In this present emergency, no less great and serious than the last, the Government has not only the right but the duty to conscript our income and our wealth. The one question that we face in America is whether income and wealth is to be conscripted and redistributed in accordance with law and through a new and radical system of taxation or whether it will be seized and appropriated through violence and bloodshed. No legislation can save the social system that is responsible for the collapse in our economic life. This system is doomed beyond all power of redemption. But a new program of taxation that will justly redistribute the income of the people may succeed in saving us from riot, civil strife, and mass murder, and in establishing a new and just social order.

GOVERNMENT AND CHILDREN

(By Dr. John Dewey, Chairman the Joint Committee on Unemployment)

The depression has told with ferocious brutality upon children. It is depriving them of schooling and undermining their health. Two million dollars less a day are spent on education than in 1930. Two thousand rural schools are closed. On the average, the school year has been shortened from 1 to 2 months over the country, although it averaged before from a month to two months and a half shorter than in European countries. Teachers are dismissed in great number. The depression and the shutting down of child labor has resulted in sending children in greater numbers to high schools. One out of every four teachers in the United States is teaching for less than the N.R.A. codes fix for unskilled factory workers. Kindergartens are closed. Music, physical education, art, home economics, and health services are lopped off.

In 1930 President Hoover estimated there were 6,000,000 undernourished children in the United States. The Children's Bureau estimates that one fifth of the children of the country are suffering from bad nutrition, bad housing, and inadequate medical care. Official investigation shows families who suffered a loss of income between 1929 and 1932 have a 60 percent higher rate of illness than families in which there was no drop. One third of the children in a low-income region of New York City were rated poor or very poor in health by examining physicians—only one quarter good. Loss in education and health cannot be made up in later life for either child or nation. The Federal Government must come to the rescue and grant appropriations for education, scholarships, food, and care, to maintain future citizens in sound body and mind.

THE RESPONSIBILITY OF THE CHURCH

(By Rev. Dr. R. A. McGowan, Associate Director, National Catholic Welfare Council)

One of the purposes of the N.R.A. and the Agricultural Adjustment Act is to distribute buying power better so that people may buy the goods our factories, mines, and fields can produce. The N.R.A. and A.A.A. are living up to this purpose part way. But our possible production is so great—and it is a production of staple goods—that our distribution has to be wide and high. It is not wide enough yet nor high enough.

The big trouble so far has been in the N.R.A. and the precise trouble has been the domination of most of the codes by the employers' associations. They have increased prices at the same time that they have prevented sufficient wage increases.

A change in N.R.A. procedure is imperative to bring the unions into every code authority so that they will share in administering not only wages and hours, but output and prices.

SOCIALIZATION OF INCOME THROUGH TAXATION

(By Dr. Colston Estey Warne, Economics Department, Amherst College)

Incomes which people in this country receive may roughly be divided, as one economist puts it, between earnings, findings, and stealings. The last two—findings and stealings—are large items. The mass of workers and farmers receive their income reward, small though it is, from honest effort. They earn. Regarding other incomes one cannot be so certain. For the incomes of bankers, lawyers, tradesmen, real-estate owners, coupon clippers, business executives, and absentee stockholders are heavily loaded with findings and stealings. Let us sort out the conspicuous cases in which people are today receiving incomes—substantial incomes—for which they are giving little or nothing to society in return.

First we have the case of inherited wealth. I refer not to the small inheritance of the widow who may receive a few thousand dollars to carry her through the remainder of her life. I refer rather to that carry-over of feudal society, the large estates like those of the Astors, the Rockefellers, the Mellons, the Vanderbilts, which pass from generation to generation through inheritance.

Each year more than $2,000,000,000 of such substantial estates are passed from one person to another. The recipient of the estate has done nothing whatever toward the creation of the wealth. It is to him a windfall. He pockets the proceeds and renders less service to society than the much despised hobo. If he lives in leisure and luxury on the income which has been given him, he is thereby subtracting from the annual production of goods—an income to which he has no claim, since he has created no wealth. If he continues to work, using his wealth for the building of an even greater estate, he is bound to create more factories and capital equipment in a country which already has a surplus in these fields. Inheritance is a carry-over which curses our society and allows people who have, by the lottery of birth, drawn what is really an unlucky number to waste their lives while they absorb income to which they have no title. I suggest, then, that inheritance is, in our classification of incomes as divided between earnings, finding, and stealings, a finding. And I see no reason why we should continue to tolerate this finding by permitting the continuance of large inheritances.

In the same classification of findings we may place rents on land. I refer here not to the income of a person who has received a return from real estate through building or other productive activity, but to that income which arises solely from land—land rents. The value of American land was at the last census $150,000,000,000, nearly one third of the American wealth. This land value was not created by its owners. The land rent represents the toll collected by those who hold deeds to it, the location of the land which gives it value, or its natural fertility and qualities inherent in the land, which is a social heritage.

This problem is especially one which faces our great cities. There, in order to erect a building, one must pay as much, or more, for the land as the cost of the building. This payment, viewed from the social standpoint, is not for the service of any individual. It is merely a levy subtracted from the income of society for the benefit of the holder of a piece of paper called a deed. As society progresses land values rise and absorb an ever-increasing share of the product. The holders of the land are collecting income on $150,000,000,000 of value while they are not rendering as landlords one iota of service to our society. If all land rents were tomorrow absorbed by taxes, there would be no less product. The landlord alone would suffer. This is clearly another finding in our classification of incomes as divided between earnings, findings, and stealings.

Perhaps this point should be pressed a little further. As one looks about him with a common-sense attitude, land titles seem like any other titles. Many have been acquired in good faith. They are part of our property system. But viewed in a broader light, they are the result of a mistaken social policy by which the Government permitted city land sites, coal mines, oil fields, in fact the bulk of all our natural resources, to slip into the hands of private owners, who now take a tax from the rest of us out of the production of society. Had the Government elected the wiser course of leasing these lands at an advancing rent, we would today

not be faced with many of our pressing problems. The rental income would be a substantial share of Government revenues and we would not have created such a large parasitic class living on the earnings of producers.

Our survey of who receives the income in the United States leads us next to the classification of stealings. Here, unfortunately, information is meager, for stealing on a sufficiently large scale seems well legalized. The petty thief may find a cell awaiting him, but the Samuel Insulls, the Krugers, and the many bankers and industrialists who, in one way or another, have looted our country, have surprising facility in avoiding such a fate. I am not here referring to the personal dishonesty of those business leaders who have robbed the tills of the corporations and trusts which they are administering by high salaries and manipulation. This has been done in many cases. I refer rather to the monopolistic price arrangements by which our corporations in many of our basic industries have deliberately aimed so to restrict output as to compel the consumer to pay a monopolistic price—thus stealing from the consumer's pocketbook as definitely as if the robbery were personally committed. Aluminum is conspicuously a case in point. In that industry, controlled by Andrew Mellon and his associates, price reductions have not kept step with the lowering of costs. The industry holds a virtual monopoly of the world's bauxite ores, upon which production depends. It dominates the aluminum market.

But aluminum is not the only case of robbery by monopolistic corporations. We have in our public utility structure a vast maze of holding companies which defy governmental regulation, erected essentially for the purpose of lifting from the consumer sufficient income to pay ample returns upon inflated stock issues. In fact, as one looks at the business world to discover the degree to which it is actually producing necessary goods at reasonable prices one conclusion seems clear. Business is organized for profit and not for service. It consists of erecting highly specialized corporations for the purpose of getting the maximum return while rendering a minimum in serviceable goods. If, as engineers suggest, our business structure is competent at this moment to produce triple the volume of goods that are flowing from our factories and fails to produce these, we may conclude that the public is, by the failure of the business system, being robbed of two thirds of its industrial income. One outstanding American economist, Thorstein Veblem, has suggested that the business system is one of organized sabotage of the industrialists against the consumers. This view, though ridiculed at the time of its appearance, seems today close to the truth. Certainly we have for 4 years been witnessing the shrinkage of our national income because of the failure of capitalism.

The owners of America in the mad speculation period of the 1920's piled up bond and mortgage debts which now total 237 billions—a sum approximately equal to the present national wealth. On top of this are stock issues and deeds to property on which they hope to command an income. The result is that the total of interest and dividend payments has, according to the conservative Journal of Commerce, during the entire depression continued at levels almost double those of 1925. (Last year the country paid $7,000,000,000 for corporate interest and dividends as against $4,000,000,000 in 1925, at a time when 15,000,000 people were jobless. This year the situation remains almost as bad.)

Looked at in the large, our capitalistic system is one in which those who engage in productive activity secure meager rewards while those who deal in little sheets of paper called stocks, bonds, and mortgages take a heavy toll in findings and stealings from the product. The new deal of Roosevelt seems essentially aimed toward the preservation of these property incomes rather than toward the alteration of this system.

The significance of the situation as regards taxation seems clear. Taxation should today be levied not upon the purchases of the masses of small consumers, as is now being done, but should be used as a method of absorbing the findings and the stealings of those who have to date been our industrial overlords. This may appear to be a policy of confiscation. In a sense it is, but it is confiscation of incomes which never were earned, of titles which never were clear. It is a taking by the people of property which should never have been allowed to enter private hands. Several practical proposals appear for State and Federal taxation.

First. We should have an inheritance tax which, exempting small inheritance, would completely annihilate all the great dynasties which today run America. This tax should be supplemented with appropriate gift taxes to prevent evasion.

Second. We should tackle the land problem and absorb the land values of the absentee holders who today receive such a share of the annual income without rendering service.

Third. We should place high taxes on the excess profits of our monopolistic combines, which have been fostered by the N.R.A. The N.R.A. is in its essence a legalization of monopolistic price fixation by industrialists.

Fourth. We should have highly graduated income taxes which would place the levy primarily upon people whose annual earnings are in excess of $5,000. In this connection a first and fundamental step is to eliminate the $40,000,000,000 of wholly and partly tax-exempt bonds which have in the past been bought by the wealthy as a means of evading existing income-tax payments.

Fifth. We should demand that the devastating burden of sales taxation and other levies upon small incomes should be repealed so that consumption may climb to higher levels and assist business recovery. In this connection it is significant that sales taxes already bring in 20 percent of Federal, State, and local revenues. The percentage may leap to 25 percent this year with the new Federal sales taxes.

These proposals for taxation reform may seem drastic, but taken together they are not enough, for even they do not get at the root of our problem, which is private ownership and exploitation. Were they adopted, and I seriously doubt whether they will be, by the corporation-dominated Democratic Party, they might serve to lengthen the life of a decaying economic system. No recovery, however conceived, can go far until functionless income has disappeared from our social organization. We have suffered too long under an accumulation of ills to find a solution to our problem in terms of taxation reform alone. A day may come in the not-distant future when these very property rights which are today earned or unearned, considered so sacred, will be erased by an enraged populace which is determined that the right of the people of the country to access to land and bread is more sacred than the bulwarking of the capitalist system by paying interest and dividend claims.

THE RESPONSIBILITY OF GOVERNMENT

(By Rev. James Myers, industrial secretary Federal Council the Churches of Christ in America)

Some people have expressed alarm over the rapid assumption of social responsibility on the part of the Federal Government since last March. Many more, no doubt, will be alarmed at some of the proposals for further Government action now being discussed at this conference and in other quarters. These proposals range all the way from a demand for more Federal funds for unemployment relief to programs for the complete Government ownership of industry. It is not my assignment this afternoon to discuss any of these specific proposals as such, but to bring to your attention what I believe we shall all sooner or later come to recognize. My proposition is this: It is the responsibility of government to build whatever social machinery may be necessary, not only for the relief of unemployment but for the development of a political and economic system in which the tragic spectacle of starvation in the midst of plenty will not again occur.

We are, I think, driven to this conclusion of the Government's responsibility, first, because of the practical necessities of the situation; and, secondly, because of the very purposes for which the Government of the United States was originally brought into being.

As an illustration of the practical necessity of Federal Government action, we need only to cite the breakdown of State and local resources for unemployment relief, which forced the Federal Government to step into the picture and supply the funds which have saved millions of human lives.

In the matter of labor standards, it has become equally apparent that only Federal action can be effective. For 25 years we have endeavored to abolish child labor by means of individual State legislation, with but little result. In fact, we developed by that method the wholly immoral situation, which enabled business men to make the most money in States where children could be treated the worst. Under the National Recovery Administration, because of its industry-wide planning and national scope, child labor has been abolished by common consent in many industries, and by a stroke of the President's pen. The Federal child labor amendment should now be ratified, and this reform made permanent.

The same principle of Federal legislation will be a practical necessity in the control of wages and hours and of a hundred other matters of general welfare which time does not permit me to enumerate. Only the Federal Government can extend a uniform jurisdiction over the whole area affected. Only the Federal Government has the wide powers of taxation, the necessary credit and other resources for the integration of the economic and industrial life of the Nation as a whole.

As a matter of fact, in the days of national economic crisis last March it was, as we all know, action by the Federal Government which saved even the banks and entire business life of the Nation from utter chaos. It seems just a bit humorous, under all the circumstances, to hear some business men beginning now to demand the return of the economic life of the Nation to what they call the "individual initiative of private enterprise", which they say has made America a great and prosperous country. The prosperity has not been too apparent during the last few years; and the initiative which saved the day, to the degree to which it has been saved, did not come from private enterprise. Our industrialists and bankers were as bankrupt in ideas on how to bring us out of the depression as many of their concerns were bankrupt in their exchequers. The initiative came from the Federal Government. I see no inherent reason why the Federal Government cannot continue to exercise initiative—an initiative to be directed more and more toward the welfare of all our people. Is it reasonable, my friends, to keep alive our old fear of Government action? The Government, after all, in a democracy is just "all of us"—the political and economic family of the Nation.

Provided that we are careful to avoid the dictatorship of fascism, on the one hand, and the dictatorship of communism, on the other hand; provided that we shall develop forms of industrial democracy as well as of political democracy in this country, I see no reason why increasing Government control should not prove a blessing to the Nation—in fact, the only probable direction from which we may look for a blessing.

It is doubtful how many people in the United States, aside from the interested parties themselves, would really want the country turned back again to the unregulated forces of private enterprise, individual initiative, and rugged individualism which

presented us with the cataclysm of 1929 and the unspeakable human suffering of the unemployed in the years which have followed.

Those who object that it is unconstitutional for the Federal Government to concern itself with social and economic objectives, should reexamine the preamble of the Constitution of the United States, which declares that the very purposes for which the Federal Government was established were, among others, "to form a more perfect union, establish justice, insure domestic tranquillity" and "to promote the general welfare." Those who object to our Government at this time embarking upon new and untried experiments in order to secure this "general welfare" for our people, seem to forget that social and political pioneering constitutes the very essence of Americanism. Our forefathers had in common one great dominant trait, and that was their spirit of adventure in a new world. Inspired by religious idealism they dared to undertake, under new conditions on this continent, a great untried political and economic experiment dedicated to the welfare of the common man.

My friends, we, too, face a new world today, a world made new by sweeping economic change. If we shall prove ourselves worthy of the spirit of our ancestors, it will be our high privilege to participate in the adventure of a new social order, a cooperative commonwealth of nations. This new order will at last, please God, establish justice among all nations, insure tranquillity for all the world, and promote the general welfare of mankind.

PROMPT ACTION IS IMPERATIVE

By Dr. Edward L. Israel, Baltimore, Md.

There is no doubt at all that the program of the Roosevelt administration, as epitomized in the N.R.A., and the A.A.A., and many other of these new ventures of government, carries out the fond hopes of the liberals who were the severest critics of the Hoover inanition. Let's give credit where it is due. The present administration has had the courage to challenge modern capitalism on some of its most firmly entrenched fronts. It has taken the basic necessary steps to bring about a finer social order.

We can say all these things without admitting for a moment that the N.R.A. is a perfect plan. Many problems are involved in its success. It, of course, remains basically capitalistic even though it is a more altruistic capitalism, but there are many who question whether capitalism can ever be altruistic enough to render social service or even to save itself.

Even as one who believes in ultimate social control and an abolition of the profit system as we now know it, I am not impressed by the radical criticism of the N.R.A. If we are to accomplish revolutionary social changes in an orderly manner under parliamentary government, it will have to be by very gradual steps. The N.R.A. is simply a feeble yet determined first move in the right direction. The left wing group don't seem to want to support it very much, because they are afraid that the N.R.A. is bolstering up a dying capitalism. I should think that they would have perspicacity enough to realize that if they don't play along with the basic principles of N.R.A., they are playing directly into the hands of the fascists.

So much for our spirit of sympathy with the splendid motives of our national administration. It is obvious, however, that something more drastic has to be done to level out the inequalities of wealth that are at the basis of unemployment and all the ills of our economic society. The foremost implement that the Government has for accomplishing this end is a drastic and resolute income tax. This is the only means of spiking the selfish moves of our American exploiters who are sending their money to foreign countries or who are chiseling on the N.R.A. The present income tax is a joke. It puts a crushing burden on the man of moderate means and lets the big fellow wallow in his undue proportion of worldly goods. I take for granted that I don't have to argue the case for the immediate passage of drastic inheritance tax laws. The specific example of those two indolent heiresses of America who recently inherited an aggregate of over $100,000,000 while hundreds of thousands of other young girls in America are wondering where their next meal is coming from—that in itself is sufficient argument for a stiff inheritance tax to convince the most skeptical.

But as for income taxes—I am not going to bore you with a lot of statistics. I am merely going to tell you that even now, after a few years of depression, there are thousands of people in this country whose income runs into such enormous figures that they cannot possibly spend it on themselves and their families. Are we going to allow the whole safety and security of our American life to be endangered by this improper distribution of wealth? Doesn't the very spirit of the N.R.A. require a limitation on the plunder policy of our capitalistic society and a curb on those individuals who grab so much out of the basket of American life that thousands of others don't have anything?

A liberal government is intent on putting these curbs on unbridled exploitation. Its program in this direction is very conservative and is taking a long time to get into action. The one thing that can do it quickly and efficiently is a sharp tax on incomes with at least a 75-percent tax on any income in excess of $150,000 a year. The government is the most effective channel for the redistribution of wealth and the most effective means of accomplishing that is through the powers of taxation. The coming Congress must face this problem with a complete freedom from these lobbies of wealth and with a consecrated and unswerving interest in and devotion to the welfare and safety of the masses of America.

WHAT THE UNEMPLOYED FEEL

(By David Lasser, Executive Secretary New York Workers' Committee on Unemployment)

After 4 years of joblessness, the unemployed have come to feel that a wall exists before them, blocking the resumption of their normal lives as wage earners. Their position and attitude is like that of the soldiers, who after 4 years of warfare, wonders if he was ever a civilian, and will be one again.

The unemployed have lost their skill as workers, and the feeling of the joy of work that is the part of every man. They are bewildered by the quarrels over their fate, made by "eminent authorities" by "economists" and "philanthropists." Why, the unemployed ask, should abstruse theories be invented for putting them back to work? After all, they reason, they are producers; what they produce is needed by others; what they are paid is spent to supply work for others. Why the interminable arguments?

At first bewildered and lost in the vast economic machine, split by racial, national, and sectional differences, the unemployed slowly drift together, feeling a solidarity and comfort in their numbers. As "loyal American citizens", they felt at first that they should not grumble or complain about their fate; they should be patriotic and stand behind the governing officials trying to find a way out of the crisis. They responded with great hope to the N.R.A., but now it is a thing of derision. Slowly, too slowly, the unemployed have realized that the only solution to their problems lie in common action. They have been finally weaned away from individualism and the comfort of promises.

Looking for leaders in their unemployed movements, the unemployed have been wary, suspicious. They do not long for political Utopias, but rather for practical results in their day-to-day struggles for elementary things. They are content to wait until they have a full stomach and a more secure shelter to think of the action necessary in the future. Like the drowning man, they are not interested in the laws of gravitation but rather in how to get out of the water immediately.

The new Civil Works program, rather than stilling their growing unrest, will accentuate it and yet give the unemployed enough security to turn some thought to tomorrow and political action of some kind.

The unemployed yearn for leadership more and more. Who will lead them? The warnings of Germany and Italy indicate that a fire-breathing demagogue, preaching racial and sectional hatreds may rise and with the promise of jobs lead the unemployed on to fascist violence. Oppressed as they are by the weight of years of misery, the unemployed want to hit something or somebody. Recent lynchings show how tense the Nation is and how ready to pour out its accumulated miseries in futile violence.

They will be led, either by leaders of the working class, who represent them, or by an American Hitler, who will use them as fuel for fascist flames. The feelings of the unemployed are fast crystallizing. They know now that they are the disinherited, the pariahs of our industrial society. The opportunities to organize the unemployed as an integral part of the working-class movement were never better; the dangers of neglect of working-class organization of them were never greater. The responsibility lies upon all working-class movements—political, trade unions, fraternal, and even upon the liberal groups who would be horrified at a fascist movement.

HOW THE UNEMPLOYED FEEL

(By Joel Seidman, of Baltimore, representing the People's Unemployment League of Maryland)

The unemployed are today in a state of dissatisfaction—not the passive acquiescence in misfortune that characterized them earlier in the depression but a more aggressive dissatisfaction that may soon break out in political revolt against the failure of the Government to solve their problems.

Let no one underestimate the tremendous resentment of the unemployed against charity in all its forms. The most cordially disliked persons in the country are those connected with the administration of relief. Some of that dislike is now beginning to pass over to those upon whom it should have been visited in the first instance—the business heads who led us into the depression and the political leaders who failed to find a way out.

President Roosevelt's "new deal" aroused the hopes of the unemployed, only to disillusion them anew. The program of civil works is looked upon as just a sugar-coated form of charity, as a stopgap, as an expression of the administration's failure to stimulate business and provide normal employment. The Government has failed to establish even unemployment insurance.

The unemployed are sick of charity. They want jobs and security, and they are fast losing confidence in an economic system that has failed tragically to provide either. During necessary jobless intervals they want unemployment insurance. Their greatest need and their greatest hope today are for leaders who can guide their discontent into productive channels of pressure and protest, to the end that employment and security may be won for all.

NEEDED—A GOVERNMENT MARKETING CORPORATION

(By Benjamin C. Marsh, executive secretary the People's Lobby)

If the March 15, 1926, price level were in effect, a family which used 2 quarts of milk and 2 loaves of bread a day, and 2 pounds of butter, 2 dozen eggs, 10 pounds of potatoes, 5 pounds of sugar, and 2 pounds of sirloin steak a week, would pay $100.79 more

than at the August 15, 1933, price level; and those prices were too high for the unskilled employed.

The 1926 price level means an average increase in the cost of living over present prices of about 30 percent.

Consumers have always paid for farm products enough to afford farmers a fair return on legitimate costs. The farmer has usually gotten about 40 cents of the consumers' dollar. In 1932 consumers paid for meat products $1,656,000,000, and producers received $721,000,000, so the spread was $935,000,000.

A Government marketing corporation empowered to buy farm products, process them, and sell them to the ultimate consumer, should reduce the spread at least one half. Congress should create such a corporation.

THE NEGRO AND UNEMPLOYMENT

By Charles Edward Russell

The situation of the colored worker of this country in respect to unemployment and destitution may be best illuminated by reference to a few statistics.

Here in the city of Washington, Capital of the Nation, the number of persons receiving public relief on October 31, 1933, was 14,188, of whom 10,606 were Negroes. The Negro population of the city is 27 percent of the white. The proportion of Negroes receiving relief is 75 percent. In Cook County, Ill., which means virtually the city of Chicago, the Negro population is 6 percent of the total; the Negroes receiving relief are more than 20 percent of the total. In Philadelphia the Negroes form 11 percent of the total population and 36 percent of the total number receiving relief. In Baltimore the Negro population is 17 percent of the total and 44 percent of the family relief work carried on by private agencies is for Negroes. Last year of 12,000,000 unemployed workers in America, 1,500,000 were Negroes. For a reason I shall revert to later, the disproportion has since much increased.

In the larger industrial centers today, Negroes form 40 to 50 percent of the unemployed. In Birmingham, Ala., they form 75 percent. In St. Louis 8 percent of the Negro workers are unemployed or partly employed—5 percent without any work, 3 percent on part time.

It is a sinister fact and a disquieting fact that upon this submerged 10 percent of our population the measures for national relief, certain measures of relief that have been of undoubted and often great benefit to the generality of workers, have only augumented the misery of the colored. The codes of the N.R.A. have shortened hours for the white workers, sometimes increased their pay, and sometimes diminished unemployment. They have too often worked among the colored population to deprive even those at work of their jobs.

To understand this we must remember that the average pay of colored workers has always been lower, distinctly lower, than that of white workers doing the same class of work. In many instances it has been recognized and even standardized at 50 percent lower. On these terms white employers, particularly in the part of the country where after 70 years the Civil War is still raging, were willing to employ colored persons. When the N.R.A. codes appeared with their minimum wage limits this economic advantage disappeared for the white employers. Confronted with the necessity of raising wages in all the lower grades of employment he instantly and almost universally decided that at the same wage levels he would prefer to employ white labor and dismissed his colored employees even though they might have been years in his service.

This has resulted in a huge increase of unemployment in the southern States, and a corresponding increase in the criminal difficulties. A survey of the situation made under the direction of Mr. John B. Davis, of the Joint Committee on Unemployment, disclosed that this movement to dismiss colored employees and substitute whites was by no means confined to the South nor to industrial employments. It extended also to the North and included there employment as domestic servants. One typical case, an example of thousands, may be cited as an illustration. A negro truck driver had been employed for many years at $5.50 a week. When the code went into effect his wage must be raised to $12.50. He was discharged and a white man put in his place. Where Negroes are still employed in the South, they are often employed at wages that violate the codes. Of this many instances were found, one of them being the case of an employer that hired Negroes at less than code rates and still sat on the board formed to enforce the code—a typical instance of the psychology of the southern employer.

But I do not know that it is fair to say this as if the South were the only offender. In Kansas City, Mo., for instance, 60 percent of the colored domestic workers have been displaced, and in Philadelphia this movement has gone on to a point where displaced colored workers are offering their services at 74 cents a day. In Greensboro, N.C., however, they are working for $1 a week, with room and board, and in many other places in the South for $4 a week and find their own rooms. At Norfolk, Va., women are working for $4 a week, that must pay from it $1.25 a week for street-car or bus fare.

In one southern community the board of trade has been actively at work coercing employers to discharge colored workers and replace them with white. In another the League of Women Voters sent about the city organized bands of Boy Scouts to seek out opportunities for work upon the understanding that only white workers were to be employed.

In Gary, Ind., 5 Negroes have been discharged for every 3 white workers that have suffered the same fate. When there were signs of an industrial improvement and men were being rehired, 5 white men were hired for every 3 Negroes.

In 12 large cities, of 12,616 persons registered as unemployed, 75 percent were colored; of domestic workers, 78 of the unemployed were colored.

Public bodies sometimes do not hesitate to openly avow their purpose to discriminate against the Negro. The Railroad Commission of South Carolina has made a rule that no pullman car shall be operated in the State unless it is in charge of a white man.

The most effective method of getting rid of colored labor has been developed in what may be called the Mississippi plan, and consisted of shooting colored workers on the railroads or beating them with clubs until disabled. On one division of one railroad in Mississippi in a few months 7 colored workers were shot to death while performing their duties, and more than 20 were disabled.

The conclusion from all this is obvious, sinister, and certain. We have created here in America a helot class. When depression comes we grind still lower those that in times of what is called "prosperity" bore always a load of our contempt, injustice, and oppression. We have implacably pursued with our vengeance those of our fellow creatures that have been guilty of the crime of a dark complexion. They being the helpless and defenseless perpetrators of this offense against our unwritten laws of tinting, when a time comes in which we must pay to these pariahs the wages we must pay to others, we prefer to have them as wretched dependents upon charity than to allow them a chance to earn their own living upon the same economic basis as white persons earn theirs. It is an oppression perfectly safe. No one will effectively champion the cause of the pariah and do him right. But even those of us that believe in the penalty for pigment must profitably remember that, if all tales are true, there is in the universe another system of justice than ours, and the requital of that Thomas Jefferson foresaw for the unutterable sin of slavery may not overlook the sin of racial hatred and racial persecution.

LIMITATION OF THE HOURS OF LABOR

(By Charles W. Erwin, Amalgamated Clothing Workers of America)

The 130,000 workers joined together in the Amalgamated Clothing Workers of America favor the limitation of the hours of labor primarily because it is the first attempt to meet the evils of unemployment and low wages while employed.

Bitter experience has taught us that the evils of unemployment and low wages can be efficiently attacked only through governmental action. Those employers who have enough social vision to perceive that the maintaining of decent standards of wages and conditions in their factories makes for the good of the entire community as well as for themselves are not sufficiently large in number to be able to bring about conditions in industry which will at least approximate those that should rule in any truly civilized nation.

No matter how strong the urge of these employers might be to achieve a higher industrial civilization, they are subject to the competition of other employers in their particular industry whose only urge is immediate profits, irrespective of what damage to the social body might be done through the maintenance of a low standard of wages. Experience has proven that it is useless merely to appeal to the sense of justice of those who are in control of the means of production and distribution. It is vitally important therefore to throw the whole power of government behind both those employed in industry and the minority of employers who are at least intelligently selfish enough to know that they cannot continue to prosper unless a higher standard than now exists is maintained by the workers as a whole.

We have heard much talk about the 40-hour work week, and the blanket code, under which industry was supposed to run until the various particular codes were adopted, called for this basis as a work week. It does not require any guessing to know that a 40-hour week in the vast majority of cases will not put back a sufficient number of people on their jobs to bring about the increased purchasing power that President Roosevelt has been striving for through the N.R.A.

The general president of the Amalgamated Clothing Workers of America, Sidney Hillman, who is also a member of the Labor Advisory Board of the N.R.A., in his address at the clothing code hearing, submitted figures which proved beyond hope of successful contradiction, that the number of workers who would be put back on the basis of the 40-hour work week would be negligible. Knowing the impossibility, however, of securing the 30-hour week, a compromise had to be made which called for a 36-hour week. Events since have proved that a 30-hour basis will doubtless have to be adopted if the standard of the clothing workers is to be returned to where it was before the deflation of 1920.

Together with the limitations of the hours of labor must go increases in wages if the entire N.R.A. program is not to result merely in the spreading of work at poverty wages in place of the giving of work to all in the industries at wages which will enable them to maintain within the present economic system at least a standard of life which approximates what our social experts are pleased to call "decent standards."

TAXATION OF INCOMES AND CORPORATION SURPLUSES

(By Dr. John H. Gray, former president the American Economic Association)

We are truly in a new era—the power era with its automatic machinery. We have the wealth, we have the raw material, we

have the equipment and workers, and we have the technical skill to produce and distribute an abundance of material things for all our population. Furthermore, we have the cash and the credit machinery to start the industrial machine. All we lack is sense.

There is but one difficulty—that is that the wealth is too much concentrated in both ownership and control, while the cash and credit is much more concentrated. The banks in the Reserve System, if there were a demand for it and they were not afraid, could expand bank credit safely by $8,500,000,000 to $10,000,000,000, if they saw a chance to make a profit by it. But there is no chance to make a profit in the present deadlock and lack of confidence.

How long are we going to allow the fetish of profits and property rights to prevent feeding the hungry and putting the unemployed to work? You cannot start the industrial machine by an increase of commodity prices, by creating more debts, or even by destroying the disequilibrium between the prices of factory-made goods and farm products, nor by flooding the country with paper money, nor by devaluing the gold dollar.

At least either or both of the last-named remedies, if they did start the industrial machine, would surely result in a wild speculation in both securities and commodities, in an increase of land values, and an increase of debts that would soon bring us to a collapse more disastrous than the one we are now in. Nor is the construction of Federal public works by money from bond issues likely to go fast enough, or far enough, to have significant effect before the national credit is shaken to be of much benefit.

The construction of public works, State or Federal, or both, is too small and too slow to meet the present emergency. For notwithstanding all the Federal appropriations and all the ballyhoo, the total amount of public works is much smaller than 2 years ago, and we are in the fifth year of distress. Some increase in Federal public works has been more than offset by a virtual cessation of State and local public works, except such as are now carried on by Federal funds.

F. M. Woodlock, in the Wall Street Journal of November 28, 1933, says there can be no revival of business until the business men who now control the concentrated liquid capital see their way to make a profit by putting it into circulation. I agree with him that there can be no revival until this liquid capital is put into circulation, but there is no way to put it into circulation until it is taken away from the men who now control it and turned directly into purchasing power in the hands of the masses of the people. Of course, if it were so used, it would ultimately redound to the benefit of those who now own or control it, for it is not earning them anything worth mentioning. Witness the fact that all the national banks together last year operated at a total deficit of $140,000,000. The current year is much worse for them than the last.

There can be no social justice, no prosperity, no prevention of starvation until we are producing more than we are at present, nor until our foreign trade is in a measure restored. Those now living can never hope to see it restored to the plane of 5 years ago.

The latest publication of the League of Nations at hand (Survey of Economic Conditions, 1932–33) states that foreign trade of all European countries the last quarter of 1932 was less than 40 percent of that of 1929, and that the foreign trade of the rest of the world fell off more than 70 percent, and that wages and salaries in the United States fell from $53,300,000,000 in 1929 to $28,200,000,000 in 1932, a loss of $25,100,000,000, or 53.1 percent. Under any decent arrangement and distribution of property, most of this $25,100,000,000 would have been spent for consumable goods, not for investment.

With purchasing power so curtailed by unemployment, what is the use of talking about business revival or prosperity or the balancing of the Budget? They are literally impossible.

By the same authority "there are now 41,500,000 workers covered by unemployment insurance"; but with so large a part of the total population actually unemployed, all these systems have departed from an actuarial basis. They are all living to a very serious degree off accumulated saving and for the most part by placing additional debts on a world already in debt to a much greater degree than can ever be paid, even if the people were at work, much less when so large a portion of the working people are idle and living on doles.

What is the sense in talking about raising prices of commodities, or worse, of destroying the disequilibrium between different classes of commodities, when so large a part of the population have no purchasing power whatever at any price, and when all the purchasing power, particularly in the United States, is in the hands of so few people who do not need to purchase for consumption, and because of this or their fear are purchasing much less than usual, and are howling about overproduction and taxes. It is, in fact, overproduction only in a sense that purchasing power has been withdrawn from the great masses who need and want the goods to such a degree that the goods cannot be sold at a profit for those who have the legal title to them.

It is not overproduction but lack of purchasing power in the hands of the masses from which we suffer. It is well known that the great surplus that cannot be sold at a profit today consists primarily of raw materials and foodstuffs.

Do we have overproduction of foodstuffs in any rational sense with tens of millions of people starving, here and abroad? The publication of the League of Nations referred to estimates the world production of foodstuffs in 1932 at about the same as 1929 (there has been a great decline in the amount of manufactured goods); yet, if the trend of increase of production from 1925 to 1929 had continued to 1932, the production of 1929 would have been much greater than it was, yet would have fallen far short of the needs of the world as shown by the growth of population.

The report says that, with the exception of some tropical products, there is not enough of food products. The alleged surpluses after 1920–21 would have rapidly disappeared had purchasing power been properly distributed. If the trend of increase of production from 1860 to 1913 had continued until 1932, the production would have been twice what it was in 1932.

We are not suffering from overproduction, but from an insane, irrational, and impossible concentration of wealth which deprives a very large part of the population of any purchasing power whatever. This has stopped the industrial machine, thrown millions out of employment, and made paupers of them.

The situation has been greatly intensified by insane nationalism. In 16 months, beginning in September 1931, 23 nations had general increases in tariffs, 50 countries increased their tariffs, 52 countries imposed import quotas, license systems, prohibitions, etc., and 12 established import monopolies, largely on grains.

France, Great Britain, Australia, Germany, Italy, New Zealand, and Czechoslovakia have greatly reduced their debt charges by refunding at lower interest rates. On the other hand, we are adding daily to our debt charges by piling up additional debts in the attempt to start industry on the basis of profits.

Our discredited business "leaders" are trying to hold the social revolt until the depression cures itself, which means until the debts are liquidated by bankruptcies as has been the case in earlier depressions. They do not realize that the circumstances which made such a procedure possible in the past have entirely disappeared, and that if such a procedure were prolonged long enough, it would mean literally universal bankruptcy and total collapse. Prices will not rise till purchasing power is put into the hands of the masses. That purchasing power is now in the control of a handful of men in New York who are bound by traditions of profit that will not let it go into the hands of the people voluntarily.

Furthermore, in earlier depressions circumstances were such that when debts were paid, the debt burden was lightened. But with the fix we are in today, the more debt is paid the heavier the debt burden becomes.

This is due to the effect of falling prices. Irving Fisher says that by March 1933, 20 percent of debt existing in 1929 had been liquidated (largely by bankruptcies and foreclosures, it is true), but that due to the fall of prices the debt remaining had increased the total debt burden by 40 percent (Economea, Oct. 1933, vol. 1, p. 346).

President Roosevelt's efforts are to be highly recommended. He, at least, is doing something to feed the people and to put some of them to work on useless and ill-planned work for the most part, but they have little or no effect in starting permanently the industrial machine by putting purchasing power in the hands of the masses. His efforts are chiefly valuable because they compel the American people to think about social and economic matters for the first time in generations. This is fundamentally necessary before any administration can make serious headway, for no administration can go much faster, or much farther than public opinion will support it. Therefore, the President's educational program is probably worth much more than it is costing.

The so-called "business leaders" have been thoroughly discredited, but not the system which made them and led us to disaster. That system can never be made to work again, even to the satisfaction of those who were dominant till the collapse of 1929.

This crisis calls for purchasing power in the hands of the people—not for the artificial raising of prices, however low the prices or however great the disequilibrium between prices of different groups of commodities. But two possible and available sources of funds are in sight—the concentrated liquid capital now centered in New York, or even increasing Government loans. The loans if possible would put an intolerable burden of debt on the consumers of the future. If the loans could be floated in sufficient quantity and the proceeds distributed speedily enough in sufficient quantity in cash to the unemployed or by Government expenditures on a sufficient scale, it would increase the purchasing power, increase prices, start the industrial machine and enable us to collect taxes enough to balance the Budget.

But God forbid that we should have a revival of business unless we take measures to prevent such a collapse as we are now in.

If present attempts could be successful, the money would have to come from the liquid capital now in New York, but the present owners of it would have a claim on future industry for its repayment. But the Government credit has limitations, and may easily reach a breaking point, if pressed much further. The attempt this week at refunding illustrates that the breaking point is not far off. But present methods are altogether too slow and indirect. Apart from the slow and cumbersome public-works program, the Government has already poured billions of dollars into private companies, in the attempt to start business, which can be started, as said so often, only by purchasing power in the hands of the public. But the advances made to banks, insurance companies, and other financial institutions are virtually lodged in the banks and have had no appreciable effect on business or in increasing purchasing power for consumable commodities. That advanced to mortgage companies and home owners has largely gone the same way by more indirect routes, for it has largely been used to pay debts and has then been hoarded or put into the banks by the mortgagees.

We should have been out of this mess years ago if immediately after the collapse the cash surplus existing in 1929 in 50 percent

of the largest corporations had been taken by taxation and distributed in cash weekly payments to the unemployed families. Most of it would have gone immediately to the stores for consumable goods. The stores, which all have short stocks, would have appealed at once to the manufacturers who have virtually no stocks—a slight accumulation was made last summer on the speculation of currency inflation—the manufacturers would have hired men and bought materials and started industry.

Taxation is the only available means for a redistribution of wealth. With all the extreme attempts of the Supreme Court to protect property rights by strained construction of the Constitution, fortunately the Court has left the gate wider open in regard to taxation than in any other part of the Constitution.

The only restrictive reference in the language of the Constitution on taxation is that relating to apportionment of direct taxes. This is now a dead letter, and Congress is practically unrestricted as to amount or distribution of taxation. (It may be remarked incidentally that all the States are tied hand and foot by constitutional limitations; hence the almost universal State bankruptcy.) No nation can exist permanently with as many excessively rich men as we now have, or with as large individual fortunes as at present. These fortunes must now be dissipated by more progressive taxation, income and inheritance taxes than have yet been proposed. It may be inexpedient to set a definite limit to the amount of money one may acquire, but to save civilization it is now necessary to limit by law the amount he is permitted to bequeath by will, and to take by progressive taxation all above a fixed maximum for public purposes.

Huey Long's particular figures on this subject are open to doubt, but the principle is sound. The Puritan doctrine of thrift and saving has no application in the age of power and plenty. That is particularly true of our present condition of unequal distribution, and large fortunes. Roger Babson said in a public address November 29, 1933, that 2 percent of the population furnishes the bulk of capital for new enterprises, during the dominance of the profit motive. The whole emphasis was placed on loaning and investment. The result was an overinvestment which destroyed profits, and a profitless prosperity, overproduction, collapse, unemployment, disaster, bread lines, and pauperism. This great inequality of wealth with an undue proportion of the annual product going to a few people gave them incomes that they could not spend by the wildest extravagance and luxury. The system lasted only so long as vast foreign territory, peoples, and materials could be profitably exploited. That has all but disappeared. Other nations are resolved to develop their own resources.

The insane nationalism following the war, with its self-determination and national self-sufficiency, has made foreign investments unsafe for years to come. Under these circumstances, we find ourselves greatly overinvested for any market, at home or abroad, at profitable prices. Foreign markets, as already indicated, have almost disappeared. They have disappeared never to return on the present scale during our lifetime.

During the last three Presidential administrations all the emphasis was thrown on profits and investments and forcing foreign markets. (See A. W. Mellon's book on taxation.) With the foreign market almost gone for both foreign goods and investment, we are not only overinvested for the domestic market in depression times, but if every American could be put to work at productive labor, a thing utterly impossible with advancing technology and its consequent unemployment, the overinvestment, with its lack of profits and unemployment, must remain for years to come.

Stuart Chase, in the December 1933 Graphic Survey, says that by the statement of the textile manufacturers themselves, their equipment is double that needed, and cites the United States Commissioner of Labor as saying in 1927 boom times that 19.5 percent of the capacity could meet the demand.

We do not need at present investment, nor saving, but purchasing power in the hands of the public to carry off at a profit—so long as the profit system remains—the goods that our present equipment can produce. The only source of that purchasing power is the large cash surplus of the large corporations, now fast being paid out rapidly in dividends mostly to well-to-do and rich people. These people, under the present uncertainty and fear, lodge the money in the banks or hoard it.

One corporation is now paying unearned dividends at the rate of $120,000,000 a year.

What we need now is a direct levy on the fast disappearing cash surpluses of large corporations. If that should prove insufficient to relieve the situation, and start industry, then a general direct levy. We need not use the phrase "a capital levy", for that phrase has come to make an insane emotional reaction similar to that evoked by the words "socialism", "communism", and even "red" and "anarchy." The ignorant populace do not know that such levies have been the main source of public income in the United States from the very beginning, for the general property tax on which the States and the localities have always mainly depended is a capital levy and nothing else. The trouble with it has been the graft and evasion and inadequate exemptions, not in the theory of it. Under present circumstances these ought to be liberal exemptions.

A national direct levy at any time with total exemptions of say $100,000 or more could easily be collected. It could be all the more easily collected, with the present large cash surpluses, for it must never be forgotten that these surpluses were accumulated by speculative means, largely with other people's money—bank deposits. They have been used for speculative purposes. They not only made and prolonged the depression abroad but furnished a large part of the call loans for the orgy of speculation, on the New York Stock Exchange from 1927 to 1929, when this money drove the average rate of interest on call loans for a year to 12 percent and often put the rate up to 20 percent.

These speculators made it impossible for business men in Europe to obtain loans at any tolerable rate and were the immediate means of throwing the whole world off the gold standard. There was more than $4,500,000,000 of nonbank money, popularly "bootleg" money, on call in New York at the crash. This money so far as not paid out in unearned dividends is today the greatest menace to world prosperity, for it is in control of a handful of profit-seeking men whose god is profit, and it is lying idle. Only a small part of it can be put to work in bank acceptances, and Government short-time securities, and call loans. Most of these have brought for a long time past much less than 1 percent. That amount of cash cannot be there without leading to dangerous and injurious speculation and manipulation of the markets.

To ease the situation, we must not only redistribute existing wealth, but we must provide that a much larger portion of the annual product goes into the hands of people who will not invest it directly or indirectly but who will spend it for services or consumable commodities, and thus make a market for the goods turned out by our great equipment. By far the largest portion of Government expenditure goes either for services or for construction for nonproducing purposes.

If capitalism based on profit seeking is to endure, property as at present held must be redistributed by Government action. That is taxation. Industry must be so reorganized as to permit a much larger proportion of the annual product to go to wages. Wage earners must be given such security for old age and dependents as will permit them to spend on consumption more, and a larger proportion, of their earnings than heretofore, and not to save for investment, directly or indirectly. If their money goes into the banks for saving, it goes, necessarily, into investment indirectly.

Private fortunes must be held in check during the lives of their owners by more progressive income taxes to a degree to discourage investment, and at the death of their holders must be dissipated by inheritance laws and taxes.

Governments must collect much more in taxes than heretofore and spend the money in services and in construction that will not turn out goods to compete with private industry. The way, with our present equipment and technological advance, is now open for virtually unlimited cultural advance, because of our practically unlimited productive power. There is no limit to opportunities in this field, except our ability to produce goods. The amounts that may be spent on scientific research, education, and art, and a host of other things that will add joy and beauty to life, have no other limit than the ability to produce goods. All we need to do is to organize our production and distribution and to take by taxation all above the amount necessary to keep up the capital investment. With a high degree of inequality of fortune—infinitely less than we have today—the richer people who have for generations had more than they could possibly spend and who can no longer find profitable investment for what they save will in the future provide much more savings and investment than can be wisely or profitably employed.

The chief task of the members of this committee, and of all intelligent citizens now, is to see that funds available for purchasing power be taken by taxation as indicated above and placed in the hands of people that need the goods. Prices will then rise, taxes can be collected when people are producing and budgets can be balanced.

Profits will reappear only when production begins.

REDUCTION OF PRINCIPAL OF LONG-TERM DEBTS

(By Leon Henderson, Department of Remedial Loans, Russell Sage Foundation)

The Nation's internal debt, short-and-long term, at the end of 1932 was estimated at $246,000,000,000. The debt service was variously estimated to equal in 1932 from 20 percent to as high as 50 percent of the national income. Contrary to the general impression, only a small proportion of the debt pieces had been written off in the last 4 years, and the sum total of debt in force was tending to hold static because of State, local, and Federal borrowing. What is not known is how heavily the debt burden falls upon wage earners.

Liquidation and debt adjustment have proceeded along individualistic lines, with consequent disorganization and unequal pressure on different classes of debtors. The necessity for orderly processes of writing down dead debts seems self-evident, with the further necessity for nationally planned liquidation. Several States have attempted to deal piecemeal with the debt burden, but in every case the State legislation has been declared unconstitutional, as violating the guaranties of property rights.

The Canadian method of dealing with mortgage debt through provincial debt adjustment acts is giving a high measure of satisfaction and will probably be extended to other debt burden.

National legislation probably to create debt commissioners with power to settle differences is needed for sane handling of dead mortgage debt, whose dead weight rests heavily on purchasing power.

Legislation is needed also to amend the Federal Bankruptcy Act so that wage-earner debtors may make composition with creditors, based upon reduced earning capacity, with debt pay-

ments distributed over a long period. It is absurd to think of balancing consumption with production without such adjustment, or to depend upon local, State, or individual mechanisms to bring orderly results.

REDUCTION IN INTEREST RATES ON LONG-TERM DEBTS

By Lawrence Dennis, author of Is Capitalism Doomed?

The long-term debt of the United States grew from $36,000,000,000, or $387 per capita, in 1913 to $134,000,000,000, or $1,072 per capita, in 1932. The interest charges were $2,000,000,000, or 6 percent of total national income in 1913, and $8,000,000,000, or 20 percent of the total national income in 1932. Since 1929 the national income has been reduced by more than a half, while the debt charges have increased somewhat. In addition to these figures covering long-term debts, there is outstanding some $103,000,000,000 of short-term debt, a large part of which is really long-term debt, because of perpetual renewals and because the interest paid on such nominally short-term debt involves in large part a transfer of income from a debtor to a creditor class.

In the short-range view of the debt problem the depression is temporary; hence the thing to do about debts is to avert the calamities of foreclosures, bankruptcies, and defaults until the depression is over. This can be done by having the Government declare moratoriums or lend the debtors money to meet their maturing obligations. In the long range view of the debt problem, interest charges are regarded as contributory factors which must be eliminated or reduced, both in order to end the depression and to prevent its return.

The chief trouble with a large national bill for interest is that the recipients of interest do not spend the money as fast as the interest payers would spend it if they did not have to pay interest. The interest problem is mainly one of distribution of income.

The interest theory of old-fashioned liberals and orthodox economists is that during a depression interest rates should be lowered in order to stimulate investment and to reduce production costs. Cheap money will tempt capitalists to invest. Cheap money will mean cheaper goods; cheaper goods will mean larger sales. More investment and larger sales will mean more employment and better business. This theory was fairly true to the realities of the nineteenth century when there were always abundant investment opportunities to tempt capitalists whenever money and goods got cheap enough. There were always new markets for consumers goods when such goods became cheap enough. Today there are neither new investment opportunities nor new markets. There is no more migration and tariffs nullify price reductions.

There is but one good reason for a reduction of interest today, and that is to effect a better distribution of income. Money for public spending should be obtained without incurring interest charges, for any increase in interest charges will only aggravate present evils. Moreover, any economy in interest charges on money used to build houses for the poor can be fully monopolized by the landlord class. The fundamental consideration, however, is this: If the Government borrows from true investors who buy Government bonds out of savings, it will have today to pay well over 4 percent for any considerable amounts of money. This rate is obviously too high. Therefore, if the Government has to use the printing press in connection with its borrowing, the Government will better rely exclusively on the printing press, and not complicate its borrowing with the printing press. The Government is using the printing press when it forces the banks to buy Government bonds.

A reduction in our long-term debt burden can most easily be effected by Government conversion of railroad and farm and public-utility debt into Government bonds and by a paying off of the short-term debt of the State with paper money. These operations will involve nationalization of the railroads and public utilities and the subsidizing of agriculture. A condition precedent to such Government aid to agriculture should be appropriate measures to discourage, if not prevent, future borrowing by farmers.

The basic idea in any sound treatment of the debt problem must be that interest charges have to be reduced with a view to securing a better distribution of money income. Lowering interest rates to encourage further uses of consumer credit or borrowing by impecunious cities, States, or farmers is sheer madness. Such uses of credit are absolutely indefensible because of the problems created by the interest charges.

THE CALENDAR

The PRESIDENT pro tempore. The calender, under rule VIII, is in order. The clerk will state the first bill on the calendar.

FINANCIAL TRANSACTIONS WITH DEFAULTING FOREIGN GOVERNMENTS

The bill (S. 682) to prohibit financial transactions with any foreign government in default on its obligations to the United States was announced as first in order.

Mr. JOHNSON. Mr. President, I desire to perfect the phraseology of the bill.

Mr. KING rose.

Mr. JOHNSON. Does the Senator from Utah desire to interrupt?

Mr. KING. Mr. President, a parliamentary inquiry. I inquire, if I may, under what rule are we now proceeding?

The PRESIDING OFFICER (Mr. NEELY in the chair). Under rule VIII.

Mr. KING. Does that permit of debate?

The PRESIDING OFFICER. It permits of 5 minutes' debate.

Mr. KING. Does the Senator from California desire to take up his bill—a measure that is so important—under a rule which permits only 5 minutes debate?

Mr. JOHNSON. I assumed that there was no objection to the bill. I do not see any reason why we cannot consider it.

Mr. KING. I am not objecting to that being done.

Mr. JOHNSON. Very well.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (S. 682) to prohibit financial transactions with any foreign government in default in its obligations to the United States, which had been reported from the Committee on the Judiciary with amendments.

Mr. JOHNSON. I desire, Mr. President, to perfect the language of the bill. On the first page, in line 5, I desire to strike out five words, namely, the words "loan money to, or to."

The PRESIDING OFFICER. Does the Senator offer that as an amendment?

Mr. JOHNSON. I offer that as an amendment.

The PRESIDING OFFICER. Is there objection to the amendment? The Chair hears none, and, without objection, the amendment is agreed to.

Mr. JOHNSON. The next amendment I propose is after the word "bonds", in line 6, to insert the word "securities."

The PRESIDING OFFICER. Is there objection? The Chair hears none, and, without objection, the amendment is agreed to.

Mr. JOHNSON. After the word "government", in line 7, I move to insert the following words:

issued after the passage of this act, or to make any loan to such foreign government.

The PRESIDING OFFICER. Is there objection to that amendment?

Mr. KING. Mr. President, I do not want to interfere with the passage of the bill but I desire to submit a few observations, and that is the reason I made inquiry as to the rule under which we are proceeding. I may have to avail myself of the opportunity of speaking 5 minutes on each amendment in order to conclude what I desire to say.

Mr. JOHNSON. I have no objection to any mode of procedure that may be desired, provided we go on and dispose of the measure.

Mr. KING. I will not interfere with the passage of the bill.

The PRESIDING OFFICER. Does the Senator from Utah object to the amendment last offered by the Senator from California?

Mr. KING. I desire to use the amendment as a vehicle to submit a few observations upon a subject which is not now before us but which is of very great importance, namely, bimetallism.

The PRESIDING OFFICER. The Senator will proceed.

REMONETIZATION OF SILVER

Mr. KING. Mr. President, in the political and economic life of the people questions are presented and issues raised which demand solution. If they are correctly determined, benefits arise to the people, but if not properly solved they reappear and emphasize the oft-expressed thought that no question is settled until it is settled right.

A great wrong was committed when silver was demonetized and gold monometallism established as the monetary system in many parts of the world. But the silver question is not dead; it stands as a challenging figure in the political and economic path of all nations. Those nations which have demonetized silver are learning that the gold standard is an unsubstantial foundation upon which to rest their monetary system.

The devotees of the gold standard are discovering that gold, which should be only a symbol, has become a tyrant—a cruel and ruthless master. People everywhere are beginning to inquire why silver was robbed of its monetary status and gold enthroned as the supreme monetary power. The gold standard as the sole measure and standard of value is being challenged, and demands are heard in every quarter that silver be rehabilitated and accorded its true status.

Professor Cassel, an outstanding political economist, has declared that "the relentless struggle for gold has brought a fall in prices which has resulted in a crisis producing general depression, heavy losses, economic difficulties, and industrial unemployment", all of which have assumed disquieting proportions.

Many statesmen and economists believe that the world depression is, in part, if not largely, due to the demonetization of silver and the attempt to rest the credits and currencies and business activities of nations upon the narrow base of gold. The inadequacy of gold to meet the demands of trade and commerce and the needs of the people in their industrial and economic life is recognized by many of the leaders of the political and economic life of the world.

Sir Henry Strakosch declares that the deficiencies of monetary gold are well over 100 percent and this has resulted in a sharp fall in commodity prices.

Sir George Paish has stated that the financial situation is one of unprecedented difficulty and the world, particularly since 1914, "has lived upon credit and is indebted, both nationally and internationally, for fabulous sums of money."

The indebtedness of the world is so stupendous as to compel the thought that bankruptcy is inevitable. Published statements by banking institutions and economists indicate that the indebtedness of the United States—National, State, corporate, and individual—exceeds $200,000,000,000 and the obligations of other nations indicate an almost hopeless condition of indebtedness.

Sir Joshua Stamp states that the financial depression is largely due to the instability of money values and to the relative insufficiency of the world's stock of gold and its converse, the weakness of commodity markets.

Even Mr. Keynes, the great English monometallist, declares that gold as the sole standard of purchasing power "is almost a parvenu", by which he means that for thousands of years gold and silver were the standards of value and purchasing power at an accepted ratio of value, and he is compelled to admit that except during brief intervals gold has been "too scarce to serve the needs of the world's principal medium of currency."

There is no validity in the contention that gold is not subject to fluctuation. The fact is that measured by commodities, by the things which it purchased, its variations, and, indeed, gyrations, indicated that it was a most unstable commodity and an unsatisfactory measuring rod. It fluctuates, when measured by labor and commodities; and measured by any standard of value or by commodities, it possesses less merit or value than silver would have possessed had it not been demonetized. Value simply means value in exchange, and it arises out of relations which exist between things. Money, intrinsically, has no value. Purchasing power is a value in economics.

The level of prices of commodities is determined by the number of units of purchasing power; hence, if the number of units are reduced, each remaining unit possesses greater value, expressed in commodity prices, and the prices of commodities, measured by the monetary unit, fall. Value, like utility, it has been said, possesses no intrinsic value but expresses in exchange nothing but ratio.

To speak of the value of an ounce of gold is as absurd as to speak of the ratio of a given number. There must be another number in order to make a ratio. Therefore, value simply means value in exchange. Human estimation placed on desirable objects whose quality is limited determines value.

For thousands of years gold and silver walked side by side carrying the trade and commerce of the world. Mother earth has for thousands of years yielded these two precious metals, the ratio of production being substantially 14 ounces of silver to 1 ounce of gold.

Sir Archibald Allison, in his History of Europe, states that Great Britain, largely at the instance of creditors and bankers, denied silver access to the mints and made gold the sole standard and measure of value; and he declares that the capital which had been acquired during the Napoleonic Wars, and the interest of the money classes, were so powerful "that Parliament became affected by the desires of its possessors." This resulted in the demonetization of silver, which, within a few years added 50 percent to the value of money and 50-percent weight of debt and taxes. Small land proprietors were ruined and distress was universal. "The number of landowners, within a period of 7 years was reduced from more than 160,000 individuals to less than 30,000 and a large population became the objects of support by organized charity."

The inadequacy of the gold standard to meet the monetary demands of the world must be apparent to every thinking person. Great Britain, which has boasted of her financial strength and power, and for a century has been the champion of gold monometallism, has been compelled to abandon the gold standard, and in so doing dragged other nations from their insecure gold pedestal.

Sir Henry Deterding, a world financial figure, has confessed that the destruction of silver values will defeat trade revival, and that so long as gold and silver were in cooperation "things went well, but that governments, governed by theorists and sheltering themselves behind so-called "money experts", adopted gold as their sole standard of value and have ousted silver by paper. Whether paper is represented by bankers' bills or by bank notes, the only reason for its value is credit, and credit is the same as every other commodity or faculty in that the more there is of it the less valuable it becomes."

It is obvious that of all acceptable systems of currency that system is assuredly the worst which gives a standard, steadily, continuously, and definitely appreciating and which by that very fact throws the burden upon every man of enterprise, upon every man who desires to promote the agricultural or the industrial resources of the country, and benefits no human being whatever.

The occidental nations in destroying silver are developing an oriental competition in the fields of industry, which menaces business and industrial revival and the return of prosperity. It has been said that there is an element of justice in the cruel and irrational policy of demonetizing silver adopted by occidental nations and in the increasing industrial development of China and Japan and India. By demonetizing silver, China and India were robbed of monetary values to the extent of billions of dollars. Their stored wealth, consisting of billions of ounces of silver, was reduced in value, measured by gold, from $1.29 or more an ounce to the low mark of 24 cents an ounce. But, as indicated, this policy has resulted in depriving the occidental nations of markets of great value, and has changed oriental nations into aggressive and successful competitors in the markets of the world. It is imperative that a change in the monetary policies of this and other nations should promptly be inaugurated, if unrest, and indeed, economic and political disturbances are to be arrested and the world lifted from the valley of depression.

Recent investigations by experts and committees in this and other countries have led to the conclusion that commodity prices must be increased if this destructive period of depression shall come to an end. Even the most ardent gold monometallists admit that there must be an increase in commodity prices. Important reports submitted by the League of Nations and by the McMillan Committee of Great Britain, demonstrate that if nations and individuals are to be rescued from bankruptcy, there must be a material increase in prices, particularly in the fields of agriculture and labor. It is impossible for the people of the United States, as well as other nations, to meet their obligations, if material increases in commodity values do not occur.

That the remonetization of silver would increase commodity prices is conceded by all. In the great contest of 1896 the goldites opposed bimetallism largely upon the ground that it would cheapen money and therefore increase prices. They contended that gold was the only "honest money" notwithstanding the fact that under its reign its value, measured by the products of human toil, had greatly increased and want and ruin had come to hundreds of millions of human beings. It was conceded by the gold-standard followers then, as it is conceded now, that for centuries bimetallism had been the monetary policy of most countries of the world, and though there were variations in the ratio and production of gold and silver, they had marched side by side with but slight variation in their value with reference to each other and the purchasing price of each.

The fathers of this Republic not only understood the science of government, but they were students of monetary and economic problems, and knew the relation of money to the political, economic, and industrial life of the people. In the Constitution which they prepared, gold and silver were recognized as the base of our monetary system; and in the first measure enacted they declared for bimetallism, and provided that 371¼ grains of pure silver should be the dollar and unit of value, and that 24¾ grains of pure gold should be of equal value.

That the demonetization of silver in this and in other countries was a great wrong and an injury of the most serious character, it seems to me should be evident to all students of governmental and economic affairs. With the defeat of Mr. Bryan, the gold monometallists believed that the silver question was forever laid at rest. The failure of the gold standard to meet the needs of the world and the tragic economic and industrial conditions confronting this and other countries have compelled a reexamination of the sufficiency of the gold standard and the financial policies which have been pursued under it; and the result has been that the people, sitting as a high court of justice, have decreed that the gold standard has failed to meet the promises made in its behalf, and that silver must be restored to its rightful place as a coequal with gold.

It is true that there is not complete unanimity in the plan to be pursued in restoring silver to the position of primary money, but there is a growing determination that some measure be adopted that will result in the rehabilitation of silver.

In 1930, in various parts of the United States, organizations were effected for the purpose of awakening the American people to the importance of restoring silver to its rightful place. The Senator from Nevada [Mr. PITTMAN] and myself offered resolutions in the Senate challenging attention to the continued decline in commodity prices and to the importance of obtaining for silver a suitable place in the monetary systems of the world, in order to avert the disastrous consequences that would follow a further decline in the price of silver.

The Senate Committee on Foreign Relations made a comprehensive study of the effect upon commodity prices by reason of the demonetization of silver; and later a committee in the House of Representatives devoted considerable time to a study of the silver question, and the effect upon the economic and industrial conditions of this and other countries by reason of legislation and policies which had resulted in depriving silver of its status as primary money. Since then there has been an increased interest in this and other countries in the so-called "silver question", and organizations have been formed in this and other countries to promote the rehabilitation of silver.

Mr. LEWIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Illinois?

Mr. KING. I yield.

Mr. LEWIS. Will the Senator from Utah, acquainted and qualified as I know him to be on this subject, at this point explain in what way he concludes that silver was demonetized; and at the time to which he refers what was the particular thing which, in his judgment, served that purpose and accomplished that object?

Mr. KING. I cannot, in the limited time at my disposal, adequately deal with the matter suggested by my eminent friend from Illinois. I can only submit a few observations hoping that they may have some bearing upon the matter under discussion and meet in a small way his inquiry.

Until 1816 gold and silver were recognized as primary moneys in substantially all countries of the world. Bimetallism was a part of the monetary systems of most nations. As is well known, among primitive peoples commodities were exchanged, and barter was the universal rule; but as civilization advanced and international relations increased, it was found imperative that there should be a medium of exchange—a measuring rod—a plan under which commercial transactions might be facilitated and balances of trade which resulted from such transactions settled. It was discovered that gold and silver were better suited for monetary purposes than any other metals, and it was also discovered that there was a natural ratio between these two metals. When 1 ounce of gold was taken from mother earth there were between 14 and 16 ounces of silver mined. It was recognized that the production of the two metals went hand in hand at a ratio of 14 or 16 to 1. By custom and by regulations and laws, gold and silver were made the moneys of most countries. Credits were extended, based upon agreements to pay in gold or silver, or both. Taxes imposed upon the people for the maintenance of governments were met by the payment of gold or silver, or both.

In the days of Napoleon gold and silver were universally recognized as the moneys of civilized nations, and constituted the base upon which currencies and credits were rested. Bonds and obligations of governments were payable in these metals. England and France, and other European countries, coined both gold and silver at a ratio of 15 or 15½ to 1. When they issued securities, those who purchased the same understood that they were to be paid in gold or silver, or both. Bankers and traders, as well as the people, realized that the quantity or amount of money available greatly influenced trade and commerce. When gold and silver were abundant, it was discovered that wages were higher and commodity prices were enhanced; and, conversely, when there was a limited amount of gold and silver in circulation, prices fell and labor was poorly paid. The holders of securities were not indifferent to this fact, and greedy and selfish persons sought to limit the circulating medium. Accordingly, in 1816, bankers and financial interests, including the Rothschild family, secured the demonetization of silver in Great Britain. They perceived that if money was scarce it would be dear and commodities would be cheap. Industrialists in Great Britain, knowing that their country had but a limited supply of raw materials, believed that it would be to their advantage if a monetary system were adopted that would cheapen commodities and increase the price of money measured by toil and commodities.

British consols and other securities, following the Napoleonic wars, were held by the Rothschilds and a limited number of bankers, and they secured legislation in 1816 which closed the mints of Great Britain to the coinage of silver and practically placed Great Britain upon a gold-standard basis. The obligations of the Government then became payable in gold and, with the demonetization of silver, gold appreciated in value measured by commodities; as a consequence of which bonds, consols, and other securities became more valuable. The value of raw materials needed by Great Britain, when measured by gold, were of less value. This was the first important assault made upon bimetallism and its consequences in Great Britain were calamitous. The values of commodities were reduced; tens of thousands of landowners lost their holdings; wages were reduced; and poverty and distress came to the British people. France, the United States, and other nations did not then follow Great Britain, but continued their use of gold and silver as basic money. Predictions were made by eminent economists and statesmen that the destruction of either gold or silver as primary money would result in disastrous consequences to

the people. When Germany defeated France in 1871, she exacted a monetary indemnity consisting of $1,000,000,000 in gold. France paid this stupendous sum, and thereupon Germany—doubtless influenced by the course of Great Britain in 1816—demonetized silver and adopted the gold standard.

I might add parenthetically at this point that there is much hypocrisy in the contention that silver is unworthy of the position of primary money and that gold alone is entitled to the high distinction of being basic money. Germany's course emphasizes this fact. When California and Australia, between 1849 and 1856, were pouring into the channels of trade and commerce great streams of gold, Germany and a number of other European nations contended that gold was the cheap metal, that silver alone was worthy to be crowned as primary or basic money, and therefore demonetized gold. But when the stream of gold was greatly reduced, and the silver mines of Nevada gave to the world hundreds of millions of ounces of silver, then Germany contended that silver was the cheap money and gold alone was primary money.

As Senators know, our monetary system was bimetallic. The Constitution recognized that fact, and bimetallism was adhered to by our Government until 1873. I shall not trespass upon the time of the Senate to point out the devious course pursued by certain interests in the United States following the Civil War, a course which culminated in the demonetization of silver in 1873. A measure was passed by Congress, which it has been charged was done surreptitiously if not corruptly, which in effect resulted in the demonetization of silver and the enthronement of gold as the sole basic money of our Government.

President Grant, a year after he had signed the bill, made inquiries as to why silver was not being minted, and when told that silver had been demonetized, demonetized by an act which he signed, he expressed surprise and insisted that he was not aware when he signed the bill that its effect was to close the mints of the Government to the free coinage of silver.

Similar serious economic and industrial disturbances resulted in the United States by reason of the demonetization of silver, as had occurred in Great Britain following the adoption of the gold standard there in 1816. Between 1873 and 1880 property values in the United States shrank hundreds of millions of dollars. Unemployment was Nation-wide and a depression more serious than any the country had ever passed through was visited upon the people. In 1896 we were still suffering from the evil effects of silver's demonetization.

I might add in passing that the great leaders of the Republican Party—McKinley, Garfield, even John Sherman, and others—had declared in favor of bimetallism, and yet, in 1896, when the issue was sharply drawn, the Republican Party condemned Mr. Bryan and the Democrats because of their demand that silver be restored to the high station which it occupied from the foundation of the Government until it was struck down in 1873. With the defeat of Mr. Bryan, the gold monometallists rejoiced here as elsewhere. They believed that bimetallism was dead and that gold alone was to be primary money.

Mr. President, I beg to assert that sooner or later the people of this and other countries will realize that the assault upon silver was a serious wrong, the effects of which have been visited upon many lands and the evil consequences of which still persist. So long as it becomes necessary to have a metallic base so long it is imperatively required that that base be sufficiently broad to sustain the currencies and credits of the world. The narrow base of gold, consisting of approximately $11,000,000,000, is wholly inadequate to meet the demands of individuals, communities, and nations. The inadequacy of the gold standard is demonstrated every day. The demands for irredeemable paper money for wild inflationary schemes are strengthened by reason of the fact that the people believe that the gold standard has failed, that the monetary supply of gold is not sufficient to maintain the credits and to meet national as well as international requirements.

It is admitted by gold monometallists that the monetary policies of the world are unsound, as a result of which many schemes are suggested to relieve the financial situation, to increase prices, and to lead the world from the valley of depression to the uplands of peace and prosperity; but most of them lack merit or validity. More and more it is recognized that the rehabilitation of silver would lead the way out of the financial and economic morass in which we find the world.

Mr. President, I have very imperfectly and, of course, very inadequately responded to the inquiry of my learned friend from Illinois.

Mr. LEWIS. Mr. President, I rise to say that the reply of the Senator has been comprehensive and very informing, for which I thank the Senator.

Mr. KING. Mr. President, I appreciate the generous sentiment of my friend, the Senator from Illinois.

I now return to the matter under discussion. The Democratic Party declared in its platform in favor of silver's rehabilitation, and President Roosevelt indicated his approval of the resolution. That he will exercise all rightful authority to redeem the pledge of his party, I have no doubt. The policy of the administration thus far indicates that the gold standard, as it has been understood and applied since 1873, when silver was demonetized in the United States, does not satisfactorily meet the economic and industrial conditions of this and other countries.

When the National Economy Emergency Act was under consideration in May of last year, the question of giving to silver an improved monetary status was under consideration. Senator WHEELER and myself prepared an amendment to this measure which authorized the President to fix the weight of the silver dollar in grains 0.9 fine, as a definite fixed ratio, in relation to the gold dollar, at such amounts as he finds necessary and to provide for the unlimited coinage of such gold and silver at the ratio so fixed. This amendment was accepted and became a part of the act referred to.

In addition, the act contains a provision "that all forms of money issued or coined by the United States" which, of course, includes all our silver currency, shall be full legal tender for all debts, both public and private. This provision gives to our standard silver dollars, as well as all silver currency, the status of primary money. It is a recognition of the importance and necessity of supplementing gold and adding to the metallic monetary base of our financial system.

There are some persons who are demanding that several billion dollars of irredeemable paper money be issued by the Federal Government. Some within this class would make all currency irredeemable in specie and would use silver only as token money. In my opinion the American people will not accept this view; they will not follow the inflationary policies of Germany and Russia; they prefer rather the faith of the fathers and will contend that gold and silver shall constitute the metallic base upon which to rest the credits and currencies of the Government. It is believed by many that if resort were had to large issues of irredeemable paper money the remonetization of silver would be postponed for an indefinite period. I believe the time is ripe when the true friends of silver should unite to secure its rehabilitation. Personally, I am in favor of bimetallism in the sense that that word has been used. I favor the unlimited coinage of gold and silver at a ratio to be agreed upon—preferably 16 to 1—and that all forms of money issued or coined shall be maintained at a parity at the ratio fixed.

Notwithstanding the fact that the price of gold as fixed by the Treasury varies from day to day, I do not regard this situation as an obstacle to the fixing of a ratio between silver and gold, and the adoption of a bimetallic or double standard based upon the ratio so fixed. In my opinion, now is the time for the friends of silver to unite in an effort to secure by legislation, in the event that the President shall not exercise the authority conferred upon him by the act of

May 12 of this year, the restoration of silver to its high station as a part of the primary money of our country.

I have no doubt that if the United States shall adopt bimetallism, other nations will promptly follow its lead. Mexico and the Central and South American Republics are not only friendly to silver but, in my opinion, will welcome bimetallism; and when I use the term "bimetallism" I mean the use of both gold and silver as equal bases for all currency issues. I mean that both gold and silver, at the ratio so fixed and all currency issued, shall perform all monetary functions and shall be receivable in payment of all debts, public and private. The silver question in this broad aspect is not a partisan question, but it is one which affects the interest of all countries and all peoples.

Genuine bimetallists are not so much concerned in helping silver as they are in benefiting the world.

While it is true that the mineral products of our country would be increased in value, the question at issue far outweighs any consideration of that character. The world today needs a broader metallic base, a sounder financial structure, and a better monetary system.

With silver and gold linked together, performing the functions of primary money, and constituting the solid base upon which currencies rest, confidence in our financial system will be restored and an important step will be taken toward relieving this and other countries from the depression which has brought such woe and sorrow to the peoples of the world.

Mr. President, recently a committee was organized by the governors of the 11 Western States for the specific purpose of assisting the President of the United States and Congress in their efforts to stabilize the relation of the white metal to gold in the monetary systems of the world, in order that economic conditions may be improved. Mr. George W. Malone, State engineer of Nevada, was named as the chairman of the commission so created.

A statement has been prepared by him, representing the commission referred to, which embodies, as he states, the principles necessary to be included in any legislation on this important matter. The statement, together with supporting data, analyzes the two fundamental principles upon which, he declares, bimetallists can agree, namely: "First, that silver must be a primary or basic money metal by law, and, second, that the price must be stabilized in the proper relation to gold, by law."

I ask unanimous consent that the statement may be printed in the RECORD and also that it be printed as a public document.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Utah?

There being no objection, the request was granted.

The statement is as follows:

STABILIZATION OF GOLD AND SILVER (S.Doc. No. 111)

(Statement by George W. Malone, State engineer of Nevada and chairman of the silver committee, created by the governors of the 11 Western States)

This committee was created for the specific purpose of assisting the President of the United States and our national representatives in their efforts to stabilize the relation of the white metal to gold in the monetary system of the world to the end that general economic conditions may be improved.

PRESIDENT'S ANNOUNCEMENT

President Roosevelt's recent announcement providing for additional coinage of silver at the stabilized price of 64.5 cents an ounce is regarded as the first definite step toward the rehabilitation of silver but is not in itself alone sufficient to restore the white metal to its necessary monetary place or to affect permanently commodity prices.

PRINCIPLES

There are two definite basic principles that silver and monetary experts generally agree must be adopted if any permanent results are to be had, neither of which has so far been done:

First. That silver must be reestablished as a primary money metal by law, along with gold.

Second. That the price must be stabilized in the proper relation to gold, by law.

STABILIZATION

The specific reason for establishing the two metals as primary money and stabilizing the proper relation between them is, to quote that eminent world-recognized authority on monetary matters, Edward Tuck, that "in studying the question of bimetallism one should keep clearly in mind: First, money is not the value for which, but the value by which, commodities are exchanged and debts are paid."

If that is true, and it is so clear that it hardly admits of argument, then any system that contemplates a constantly changing value for money and a stabilized price for commodities would be comparable to a changeable length for a yardstick and a stabilized price per yard for all kinds of cloth; the thing that obviously defeats the theory, even if it were possible to change the standard length of the yardstick every day, is the changing relation between the value of the different kinds of cloth itself. It is evident that the first important thing is a standardized yardstick, and money is the yardstick of value.

FREE COINAGE

The bugaboo of the free and unlimited coinage of silver has been the fear that we would be flooded with all the silver of all the countries of the world.

It will be remembered that we are now definitely a creditor instead of a debtor Nation; therefore the tide of exchange has turned. In addition to this fact, we are owed approximately $4,000,000,000 by these nations.

If this were not true and all of the available silver did come into the United States Treasury, it was established by the Somers Congressional Committee after an exhaustive investigation in 1932–33, that approximately 600,000,000 ounces of silver would be the absolute outside figure that is available and could be be brought in.

It will be seen that this would have very little influence as against the gold now in the United States, especially when the new price is considered. If this be true, then only two other things could happen:

1. They could return the certificates to the United States Treasury and demand their silver back, in which case we would be out nothing but the cost of the transaction; or

2. They could buy goods in the United States with the certificates, in which case our foreign trade would be accelerated to that extent with the silver-producing nations and would undoubtedly result in higher commodity prices.

Additional metal backing is a widely recognized necessity for the approximately $5,600,000,000 worth of currency outstanding in America, and silver should be remonetized as a basic money metal with gold in the proper economic relation if commodity prices are to be permanently affected.

COMMODITY PRICE EFFECT

This will prevent a recurrence of what history shows to be always the result of setting a commodity price on the white metal. The war time purchasing act is an example. This provided for the melting and sale of 200,000,000 silver dollars then held in the United States Treasury, to England at $1 per ounce, to be replaced from domestic production at the same price. This resulted, to quote that eminent jurist, Frank H. Norcross, of Nevada, United States Federal Court, western jurisdiction, who, in 1922, said: "Whatever may be said for the gold standard, it cannot be said that it had its inception in any spirit of altruism.

"For a score or more of years Uncle Sam has been supplying 40 percent of the world's silver output. It would seem that he has failed to comprehend the importance of that fact. For a recent illustration: Uncle Sam produced 75,000,000 ounces of silver in 1915. That year the ratio of production of silver to gold was the lowest of record, 7 to 1. With war prices on other products prevailing, Uncle Sam, without protest, permitted British influences to drop the price to the lowest figure in the history of the metal, a price ratio of 40 to 1. Great Britain needed silver badly for her East Indian colonies, where it was transferred at a profit of 300 percent. A couple of years later more silver was required for India than the regular market afforded. Uncle Sam was offered a dollar an ounce for his whole Treasury stock. Apparently delighted over the opportunity, he shipped to India nearly 300,000,000 ounces—all he had. Great Britain only made a trifle less than a hundred million dollars on that deal and still owes us for the silver." After this transfer was accomplished silver was again forgotten. The total amount was never replaced at the agreed price. Any plan other than a definite place as primary money and the relation between the metals established by law will again, in the last analysis, subject this important metal to the same treatment.

The monetary history of the nations shows periodical attempts to gain advantage by manipulation of the money standards of the world, which in every case has been only temporarily successful. The pendulum has swung back and forth two or three times from a bimetallic to a single standard and it would seem from recent events that we are about ready to again recognize the truth of the statement quoted by Tuck, of that great economist Turgot, who, as Minister of Finance to Louis XVI, said, "Gold and silver are constituted money, and universal money, by the nature of things, independently of all convention and all law."

England has always taken the lead in establishing the value and the relation between the money metals, and it has not always operated to our advantage. Eighty percent of the silver of the world is produced in North America, yet the silver market is fixed in London; therefore, it is believed that the time has now arrived for the United States to set the pace and establish the kind and amount of our medium of exchange best suited to serve the majority of our people.

PRODUCTION AND PRICE

If the United States were to purchase the entire annual domestic output of silver at the present legal figure of $1.29 an ounce, instead of the announced price of 64.5 cents, and the production should again reach the normal of approximately 50,000,000 ounces annually, which is practically twice the present output, it would take fully 20 years to add a billion dollars to the currency For over 400 years the ratio of world production of silver to that of gold has been approximately 15 to 1.

SUPPORT

It is thought that these principles may bring together 3 out of the 4 distinct groups, the inflationists, the ultra-conservatives, and the primary money-silver group, leaving only the commodity-silver purchase advocates. It would provide conservative, safe, and sound expansion of the monetary system.

COOPERATION

As long as the President's action can be regarded as a preliminary effort to arrive at a proper price to stabilize the relation between the two metals, the silver-producing States, which include Illinois, Michigan, Missouri, North Carolina, Pennsylvania, Tennessee, Texas, and Vermont, in addition to the 11 Western States of Colorado, Wyoming, Montana, New Mexico, Washington, Oregon, California, Arizona, Idaho, Utah, and Nevada, will continue to cooperate with him.

EFFECT OF STABILIZATION

Even if none of the things is brought about which leading economists predict will be the result of stabilizing the price of gold and silver in their proper relation, such as increased foreign trade with the silver-using nations, with the natural result of increased commodity prices, all agree that metal-backed currency is more stable than paper because the metal itself has an intrinsic value without the Government stamp, and in addition, all agree that the metal-producing States will immediately start to absorb their own available labor supply and to purchase materials and supplies from other States. It will do for these States what the cotton, wheat, corn, and hog program is designed to do for the States producing these commodities, and is an essential part of the whole recovery program.

It is freely predicted that if the price of gold and silver is stabilized by law at their proper relative values the unemployment problem in the 11 Western States will be reduced to a minimum in a relatively short time.

EFFECT OF PRESENT PRICE

Some have called the increased price of 64.5 cents per ounce for silver a 50 percent bonus for the producer, when as a matter of fact, with the price of silver dollars set by law at $1.29 per ounce, it will still mean a profit for the Government of 100 percent if silver certificates are issued against the silver accumulated in the Treasury by this method. On a basis of the former price of 32 cents per ounce the Government made a profit of over 400 percent when the silver dollars were coined.

METAL OR PAPER

Metallic money back of currency is the soundest way to insure full confidence in the monetary system, and if a person holding a piece of paper money knows that he can get a chunk of metal for it—with the metal itself bearing an intrinsic value—that person will not worry about the safety of the currency. Numerous economists believe that more money should be in circulation, and a restoration of silver to its basic place of centuries as a primary money metal would bring about a further expansion of the circulating medium.

PRODUCTION BY-PRODUCT

The average annual production of silver in the United States during the last 30 years has approximately been 55,000,000 ounces, falling as low as 30,000,000 ounces in 1931. The world's annual production has ranged from 175,000,000 to 250,000,000 ounces, with the United States, Mexico, and Canada producing more than 60 percent of the entire amount. Most of the silver production comes as a by-product from copper, lead, zinc, and gold mines and not from pure silver mines; therefore there would be no substantial increase in the annual production of silver until there was an increased demand for these other metals.

An increase in the price of silver would not enable these other mines to go blasting into production, because the silver content of their ores would not justify operating unless the prices of the other metals were much higher than their present levels. Then commodity prices must increase before anyone benefits.

RATIO PRICE AND PRODUCTION

During the last 2 centuries silver has fluctuated from a ratio of from 15 to 1 to 77 to 1 with respect to gold, and these extreme variables are not justified by the record inasmuch as the production of silver in the past 400 years has been approximately 15 times the production of gold in ounces.

METHOD

We are not advocating bimetallism, symetallism, or a purchase program as such, but the Western States feel that if commodity prices are to be permanently affected that the two main principles must be recognized and established by law: First, that silver shall be a primary money metal, which position it held throughout the world until 1873; and, second, that the price or value in buying power terms of an ounce of silver be stabilized in the proper economic relation to gold.

[Record of production, taken from the Silver Market Dictionary by Herbert M. Bratter, p. 125]

Percentages of total mine production of gold and silver, by weight, consisting of each of these two metals since 1493

Period	Percentage of production by weight	
	Gold	Silver
1493–1520	11.0	89.0
1521–44	7.4	92.6
1545–60	2.7	97.3
1561–80	2.2	97.8
1581–1600	1.7	98.3
1601–20	2.0	98.0
1621–40	2.1	97.9
1641–60	2.3	97.7
1661–80	2.7	97.3
1681–1700	3.1	96.9
1701–20	3.5	96.5
1721–40	4.2	95.8
1741–60	4.4	95.6
1761–80	3.1	96.9
1781–1800	2.0	98.0
1801–10	1.9	98.1
1811–20	2.1	97.9
1821–30	3.0	97.0
1831–40	3.3	96.7
1841–50	6.6	93.4
1851–55	18.4	81.6
1856–60	18.2	81.8
1861–65	14.4	85.6
1866–70	12.7	87.3
1871–75	8.7	91.9
1876–80	6.6	93.4
1881–85	5.0	95.0
1886–90	4.8	95.2
1891–95	4.8	95.2
1896–1900	7.0	93.0
1901–5	8.5	91.5
1906	10.5	89.5
1907	9.8	90.2
1908	9.5	90.5
1909	9.4	90.6
1910	9.0	91.0
1911	9.0	91.0
1912	8.9	91.1
1913	9.5	90.5
1914	11.0	89.0
1915	11.6	88.4
1916	10.8	89.2
1917	9.8	90.2
1918	8.3	91.7
1919	8.9	91.1
1920	8.5	91.5
1921	8.4	91.6
1922	6.8	93.2
1923	6.7	93.3
1924	7.4	92.6
1925	7.2	92.8
1926	7.1	92.9
1927	7.1	92.9
1928	7.1	92.9
1929	6.9	93.1
1930	7.7	92.3
1931	10.6	89.4
Total	6.7	93.3

It will be noted that from 1493 to 1931, inclusive, shows an average of 6.7 percent gold and 93.3 percent silver, which is almost exactly 14 to 1, or 14 ounces of silver to 1 ounce of gold produced since Columbus' discovery of America.

GEO. W. MALONE,
Chairman Western States Silver Committee, Reno, Nev.

FINANCIAL TRANSACTIONS WITH DEFAULTING FOREIGN GOVERNMENTS

The Senate resumed the consideration of the bill (S. 682) to prohibit financial transactions with any foreign government in default on its obligations to the United States.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 1, line 7.

The amendment was agreed to.

The PRESIDING OFFICER. The amendments reported by the committee will be stated.

The CHIEF CLERK. On page 2, line 4, it is proposed to strike out the word "people" and insert in lieu thereof the words "to any citizen."

The amendment was agreed to.

The next amendment was, on page 2, line 5, after the words "United States", to insert the words "or to any corporation organized in the United States."

The amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendment, the question is, Shall the bill be ordered to a third reading and read the third time?

The bill was ordered to a third reading and read the third time.

The PRESIDING OFFICER. The question now is, Shall the bill pass?

Mr. KING. Mr. President, it may be that some Senators who are not now in the Chamber desire to be here when the bill shall be finally acted upon.

Mr. JOHNSON. I know of none.

Mr. KING. I may say, then, that I have no objection, with the understanding that if it should develop that some Senator desired to be present, I may move for a reconsideration.

Mr. JOHNSON. Very well.

The PRESIDING OFFICER. The question is, Shall the bill pass?

The bill was passed, as follows:

Be it enacted, etc., That hereafter it shall be unlawful for any person within the United States or any place subject to the jurisdiction of the United States to purchase or sell the bonds, securities, or other obligations of any foreign government issued after the passage of this act, or to make any loan to such foreign government, including any political subdivision thereof, while such government or political subdivision is in default in the payment of its obligations, or any part thereof, to the Government and/or to any citizen of the United States or to any corporation organized in the United States. Any person violating the provisions of this act shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than 5 years, or both.

SEC. 2. As used in this act the term "person" includes individual, partnership, corporation, or association.

Mr. ROBINSON of Arkansas subsequently said: Mr. President, earlier in the day, while I was unavoidably absent from the Chamber, it appears that a bill was considered and passed by the Senate which penalizes with a fine of not more than $10,000 or imprisonment for not more than 5 years, or both, any purchase or sale of securities issued by a foreign government at a time when the foreign government is in default on indebtedness to this Government or to any citizen or corporation of this Government.

That means, according to the express language employed, that if a person owns a bond issued by one of the foreign governments in default on its obligations to this country, or to any citizen or corporation in this country, and sells it to another citizen of the United States, he commits a penitentiary offense. It means that every foreign bond now possessed by a citizen of the United States is, by provision of law, made nontransferable, and the holder of the bond, no matter what his extremity or his necessity may be, if he sells it, is subject to imprisonment in the penitentiary and to heavy fine.

I enter a motion to reconsider the vote by which the bill was passed.

Mr. WALSH. Mr. President, is it possible that a provision of that seriousness escaped the attention of the members of the committee?

Mr. ROBINSON of Arkansas. It is not only possible but it is literally true. The language of the bill as reported is as follows:

That hereafter it shall be unlawful for any person within the United States or any place subject to the jurisdiction of the United States to purchase or sell the bonds or other obligations of any foreign government, including any political subdivision thereof, while such government or political subdivision is in default in the payment of its obligations, or any part thereof, to the Government and/or to any citizen of the United States or to any corporation organized in the United States. Any person violating the provisions of this act shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than 5 years, or both.

SEC. 2. As used in this act the term "person" includes individual, partnership, corporation, or association.

I do not know the limitations in the mind of the distinguished Senator from California [Mr. JOHNSON], who introduced the bill. I am sure that he did not intend to render valueless or nontransferable bonds that are owned by citizens of the United States.

Mr. FESS. Mr. President, will the Senator yield?

Mr. ROBINSON of Arkansas. Certainly.

Mr. FESS. I understood that the bill had been amended so that it applied only to securities issued after the passage of the act. It does not include what the Senator has in mind at all. If it does, it is not at all what I thought it was.

Mr. ROBINSON of Arkansas. There is, I find on examination of the desk copy, in the draft as it was finally passed, an amendment limiting the application of the penalty to securities issued after the passage of the act. But, Mr. President, this is a very extraordinary bill even as modified. It is a very extraordinary provision of law to put a man in the penitentiary, or fine him $10,000, for buying a bond or other security.

I enter a motion to reconsider the passage of the bill.

Mr. JOHNSON. Mr. President, may I suggest, if it is desired to argue the proposition, that we argue it and present it fully? I shall be very glad to do so.

Mr. ROBINSON of Arkansas. I shall not go further into the matter while the Senator from New York has the floor. I was induced to make the statement that I did by questions that were asked. I find that the bill was amended so as to make it applicable only to securities issued after the passage of the act. I enter the motion and will confer with the Senator from California and other Senators about the matter hereafter.

Mr. KING. Mr. President, may I say that while I was on the floor, and was discussing another measure, and was being called from the Chamber, I suggested to the Senator from California that I might call for a quorum and asked him if there was any objection, so far as he knew, to the bill. Upon receiving what I believed to be his assurance that he knew of no objection, I stated that I would not call for the quorum, but if later I desired to have the passage of the bill set aside, I understood the Senator to say that he would assent to that and restore it to the calendar.

Mr. JOHNSON. Mr. President, I should have been delighted to argue the measure, and argue it elaborately or in any other way, ever since its introduction.

This is no new bill that comes before the Senate. This is a bill that was introduced in the last session, that went to the Judiciary Committee. that was approved by the Judiciary Committee, and a report filed here. Not only that, but at the very beginning of this session I stood upon the floor of the Senate and gave notice that I would call up this bill and press it to a conclusion at the earliest possible moment. It is no. 1 on the calendar.

Yesterday, in the debate that ensued upon the amendment presented by the Senator from Missouri [Mr. CLARK], I called attention to the bill, and to the fact that it was number 1 upon the calendar; and today it was the first bill called.

I want no man to have any misunderstanding or any misconception of the measure; and I shall be delighted to take it up in any fashion that may be desired and argue it upon the floor or meet with my friend from Arkansas and talk over the matter in any way that he may desire.

Mr. ROBINSON of Arkansas. I content myself with merely entering the motion to reconsider now, and we will discuss the subject and confer about it later.

Mr. JOHNSON. Very well.

Mr. McKELLAR. Mr. President, would the Senator object to restoring the bill to the calendar?

Mr. JOHNSON. Let it stay as it is. The motion has been made. I will do nothing in the interim, and then we will confer respecting it.

Mr. ROBINSON of Arkansas. The motion that has been made will delay the sending of the bill to the body at the other end of the Capitol.

Mr. JOHNSON. I assume so.

Mr. ROBINSON of Arkansas. And I am entirely content with the arrangement to which the Senator has agreed.

Mr. McKELLAR. I am very happy that that has been done, because I had an understanding with the Senator from Utah [Mr. KING] that he would call a quorum if the bill was put upon its passage; and I did not know it had been put upon its passage because a quorum was not called, as has been explained by the Senator from Utah. Therefore,

I am very happy that the Senator from California is willing to let that course be taken.

SUPERVISION OF FOREIGN COMMERCIAL TRANSACTIONS

The PRESIDING OFFICER. The clerk will state the next bill on the calendar.

The bill (S. 882) to provide for the more effective supervision of foreign commercial transactions, and for other purposes, was announced as next in order.

Mr. JOHNSON. I ask that that bill be passed over.

The PRESIDING OFFICER. The bill will go over.

ORDER OF BUSINESS

Mr. COPELAND. Mr. President, may I ask whether it is the intention to go through the calendar and as to how many bills there are on the calendar?

The PRESIDING OFFICER. The Chair is informed that there are about 20 bills on the calendar.

Mr. COPELAND. I must be away for a few days and I desire to get the floor for a short time, but I shall wait until the morning hour is ended. I give notice now of my desire to take the floor at 2 o'clock.

Mr. KING. Mr. President, if I may have the attention of the able leader on the other side, I may say that many of the Senators are engaged in important committee meetings—a meeting of the Committee on Banking and Currency and many others. Some 12 or 14 Senators, members of a committee with which I am identified, will be compelled to meet at 2 o'clock to consider a bill which must be reported as soon as possible. The subcommittee of the Committee on Post Offices and Post Roads, presided over by the Senator from Alabama [Mr. BLACK], is in session, and there are others in session requiring the attendance of Senators.

Mr. McNARY. I have anticipated that situation, and I ask unanimous consent that we defer further consideration of the calendar for the day.

Mr. KING. I suggest that the Senator from New York [Mr. COPELAND] be given opportunity to address the Senate at this time.

Mr. McNARY. I think that has been arranged for.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oregon? The Chair hears none, and the calendar will be laid aside for the day.

RESTRICTION OF CRIMINAL ACTIVITIES

Mr. COPELAND. Mr. President, several important votes were taken this morning. I am sorry I was not here to record my preference regarding each of the matters before the Senate. It so happened that I was detained at the White House by the President, and I am anxious to have this reference in the RECORD so that it will be apparent that I was not evading any votes which were taken.

Mr. President, it will be recalled that last spring toward the end of the session the Senate saw fit to adopt a resolution submitted by me directing the Committee on Commerce, or any subcommittee thereof, to investigate the subjects of kidnaping, racketeering, and other forms of crime. Acting on that instruction the Commerce Committee appointed a subcommittee consisting of the Senator from Michigan [Mr. VANDENBERG], the Senator from Iowa [Mr. MURPHY], and myself as chairman. This committee has been very active during the past summer and fall. Hearings were held in various parts of the country, notably in New York, Detroit, and Chicago, and certain conclusions have been reached by the subcommittee, conclusions which, I assume, should now be presented to the Senate.

In making this presentation, we wish it to be understood that this is a preliminary report. Our activities have demonstrated that there are many crimes which deserve the serious attention of the Senate. We shall expect from time to time to present our conclusions so far as they are formulated, in order that any legislation which may be required shall be promptly enacted.

This morning we have 13 bills to present for the consideration of various committees of the Senate. I know that that seems like a tremendous grist to put into the legislative mill, but many of the measures proposed relate to trifling changes in existing law. Those measures are intended to stop gaps through which criminals make their slimy way.

In addition to the measures to correct existing law, we are presenting some other plans and bills which we hope will add to the protection of the American people against crime and the criminal.

I regret to say, but I think it is a fact, that the popular idea in this country is that there has been a break-down in the administration of criminal law. It so happens that every member of the subcommittee is a layman, so far as law is concerned, and perhaps it was wise that in the selection of the committee there should be appointed men who may be considered outsiders. Perhaps we were less bound by tradition and legend than men skilled in the profession of the law might be.

I wish to state, however, that in the preparation of the measures which we will present we have had the hearty support and cooperation of the Department of Justice. The Attorney General himself is much concerned over criminal activities in America. Through his instruction his assistants have given the committee every possible aid. I wish to speak particularly about Mr. Joseph B. Keenan, who is the Assistant Attorney General in charge of investigation of criminal activities. Mr. Keenan has shown not only an interest in this matter but he has brought to bear upon it an intelligence and professional skill which I think are quite unusual. We have had the aid, too, of the old-time experts of the Attorney General's Office. Therefore, Mr. President, I should not wish you to think that because we upon the committee are laymen we have failed to avail ourselves of the most expert legal advice we could find.

In that connection, too, may I mention that through these various hearings we have had the testimony and the advice not alone of officials of government, United States district attorneys, and other officials of the Federal Government but we have had also the hearty cooperation and assistance of State officials. Men from my own State—judges, district attorneys, and eminent lawyers—have appeared and given testimony and advice. We had in Detroit the advice of the able prosecuting attorney of Wayne County and other officials of that State. In Chicago we had a great gathering of United States district attorneys, State prosecuting officers, and others.

We have had also the assistance of police officers, the International Police Conference, and other active police agents. All this work has demanded attention to many details.

The committee is unanimous in the feeling that we have been very fortunate in having Col. Franklin S. Hutchinson, of Rochester, N.Y., as the official in charge of the investigation. He has from the beginning been actively at work, and still is, and the Senate owes a great debt of gratitude to Colonel Hutchinson because of his work.

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER (Mr. MCKELLAR in the chair). Does the Senator from New York yield to the Senator from Michigan?

Mr. COPELAND. I yield.

Mr. VANDENBERG. Mr. President, while the Senator is referring to those to whom gratitude is due for the useful results and valuable information gathered by this subcommittee, I should like to offer an observation as a member of the subcommittee. I should like to say that the net results of this undertaking, which is now being submitted by the Senator from New York, and which, in my judgment, represents one of the major challenges to this session of the Congress, would never have accrued except for the leadership of the Senator from New York himself; and as one who has been permitted to labor in a humble capacity in connection with this undertaking, I wish to state for the RECORD that the Senate and the country are under a great obligation to the Senator from New York, not only for initiating this inquiry but for the emphasis he has put upon it and the superlative results which he has primarily inspired.

Mr. COPELAND. Mr. President, of course, I am very grateful to my colleague for his kind words, but I shall not be outdone by him. I wish to say that if there had been any holding back on the part of my colleagues on the subcommittee, it would not have been possible to make such progress as we have made; and I wish to return my thanks to the Senator from Michigan and the Senator from Iowa for the very energetic and intelligent assistance they have given.

I would not wish to close this preliminary statement without referring to the fact that the President of the United States is tremendously interested in what we are attempting to do. No later than this morning he has told me of his desire to have adopted a program which will make safer the citizens of America. There is not a mother in this country who is not alarmed over the possibility of kidnaping in her family; and, in that connection, I may say that there is not a family in America safe against the menace of kidnaping.

I shall speak of one other person, one of the secretaries of the President, Col. Louis Howe, who has been interested in this subject for many years, and who has given the chairman of the committee much wise advice. He brought to my attention the names of a good many persons who were known to him to be interested in this problem.

The bar associations, not alone of my city but of many other cities, have had their attention focused upon this matter; the American Bar Association also is interested in it, and let me say to my colleagues in the Senate that if they could have had the personal experiences during the past 6 months that we have had, they would be restless and sleepless until they should have found some way of dealing with criminals. There are places in America where orderly government has disappeared, where the underworld is in control. I do not wish to indulge in any extravagant statement, but I am here to say that unless America shall be aroused the underworld gangster will come more and more into control in the United States.

I see in the Senate gallery now a man whom I mentioned a moment ago, the able Assistant United States Attorney, Mr. Joseph B. Keenan. He went into the West, and through his efforts and by his aid the local officials were able to bring to the bar of justice and to sentence, many desperate criminals, some of the most dangerous men who have ever preyed upon society in America.

If we have accomplished nothing else, I feel that we have succeeded in arousing some degree of public sentiment. Without public sentiment there cannot be such an administration of criminal law as there must be if we are to be safe in our homes, in our persons, and in our property.

Who are these criminals? One perhaps thinks about a criminal as a man 35 or 40 or 45 years of age who, through a lifetime of criminality, has developed a certain genius in the direction of the perpetration of crime and the carrying out of criminal plans. I assure Senators that if they think that to be the case they are greatly mistaken.

I have been invited many times to go to the line-up at the police headquarters in New York City. I never did go. I hate crime and despise criminals, but it was demonstrated in the various hearings that it was necessary we should go to the very bottom of this evil. So while we were in Chicago the committee went to the line-up in the central headquarters of the police department of that great city. We went at midnight and witnessed what I am about to describe.

If Senators are unfamiliar with the "line-up", so called, let them imagine a room with a long platform like a stage in a theater, a platform brightly illuminated. In front of this, in the auditorium, are the detectives. The arrested persons are required to march across the platform and stand there until their faces and figures are made familiar to the detectives and while the prisoners are walking across, their gait is studied.

Mr. President, I was horrified to find in that line-up a great many persons, not one 25 years of age but all younger than that; and over half of these men were out on probation or parole, showing that at this youthful age they were already hardened criminals or repeaters in crime.

In the great prison at Sing Sing, in New York, 80 percent of the prisoners are under 30 years of age and over half of them under 21. The average age of the criminals in America is 23 years; the largest age group is found at 19 years and the second largest age group at 18 years.

Mr. HATFIELD. Mr. President——

Mr. COPELAND. I yield to the Senator from West Virginia.

Mr. HATFIELD. Has the Senator's study carried him to the background of heredity and pathological and other basic factors that have resulted in these young men's developing into criminals?

Mr. COPELAND. I am glad the Senator from West Virginia asked the question, for he is a distinguished physician and a man of great experience, a thoughtful man. I may say that we have inquired, and at some time, either today or at another time, I shall present to the Senate what convictions we have formed regarding the life history, the inheritance, and the traits of persons who are under conviction or who are charged with crime.

In my opinion, may I say to my friend from West Virginia, one of the defects in the administration of criminal justice lies in the methods of sentencing men who have been found guilty of crime. Every person brought to the bar of justice and found guilty of a crime, particularly a crime of violence, should, after conviction and before sentence, be examined medically, mentally, physically, and psychologically. There ought to be another body of equal dignity with the court to pass judgment on what shall be done with the convicted person after the conviction is established by the court. That answers the question of the Senator, but today I shall not enlarge upon it.

Mr. HATFIELD. Mr. President, I thoroughly concur in what the Senator says. In justice and humanity, that principle should be adopted and worked out.

Mr. COPELAND. I thank the Senator. I am convinced that, in addition to the courts that pass judgment and determine the guilt of a prisoner, there should be another body of equal dignity to determine what shall be done with the victim after he shall have been found guilty of crime. I presume the Senator from West Virginia concurs in that suggestion?

Mr. HATFIELD. I concur in it whole-heartedly, Mr. President.

Mr. COPELAND. Mr. President, it is the youth who is the criminal. I cannot see why every father and mother in America should not be aroused over the danger, the menace, the possibility of crime entering that particular household.

Education, Mr. President, is not enough to do away with the development of criminal instincts. The most dangerous criminal often is the man who has the best education; his very education becomes an aid to him in the progress of his criminal career.

The questions which have been asked divert me from the thought I had in mind. Nevertheless, it may not be inappropriate now to say that, in my opinion, there is something wrong with the church and the school and the home in America. I have no right to criticize the church, except my own church. I am critical of my own church in its failure to inculcate in the hearts of those who are associated directly or indirectly with it, those high motives which make not alone for spirituality but which make also for good citizenship. But I have no right to criticize other denominations.

I do want to say, however, that in a notable book on Crime and the Criminal, written by Judge Marcus Kavanagh, of Chicago, a man who was for many, many years upon the bench, I find a remarkable statement. In that book Judge Kavanagh said that when the churches are full the prisons are empty. He said that 1850 was the low-water mark of criminal activities in the country; that at that time with a population of 23,000,000 there were less than 7,000 prisoners in all the prisons of the country committed there for major or minor offenses. I followed up this hint given by Judge Cavanaugh, thinking I should like

to find what happened later. I did not take the figures of the last census because that was taken during the prohibition era, when there were many arrests, and I feared that we might get some misconception of the real contrasting figures; so I took 1910.

Mr. SHEPPARD. Mr. President——

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Texas?

Mr. COPELAND. Certainly.

Mr. SHEPPARD. May I give notice at this time that on next Tuesday, the 16th, I desire to address the Senate on the subject of the fourteenth anniversary of the eighteenth amendment.

Mr. COPELAND. Mr. President, I would not deprive my friend from Texas of that annual privilege which he has had, and I shall be anxious to hear his speech to learn just exactly how he feels in the light of recent events.

Mr. SHEPPARD. I thank my friend from New York.

Mr. COPELAND. In 1850, in the United States the total number of prisoners in all the institutions was 6,637. This means that for every 100,000 population there were in jail at that time 29 prisoners. Instead of taking the figures during the prohibition period I took the figures, as I said, of 1910. The population then had increased from 23,000,000 to a little less than 92,000,000. The total number of prisoners in 1910 in all our jails was 111,498. This represents 121 prisoners for every 100,000 population.

I know how difficult it is to compare census figures of one decade with those of another, but from all the evidence I can obtain, crime is three times as prevalent today as it was in 1850. Senators may draw their own conclusions. Judge Kavanagh said it is because the churches are not as active now as in olden times. I hope this statement will be read by ministers and that we may have the comments of other members of the clergy than those we have already had before our committee.

I said I have no right to criticize the church except my own. I do not know how to reach the home. I suppose the home would be reached through the church. I am not an authority on that subject by any means.

But the third factor of defect in our social life is the school. Every citizen has a right to criticize the school if he is so disposed. I am not disposed to be very critical. It would not be right for one who is a product of the public school. My entire education was obtained in the public schools—in the grammar school, in the high school, in the State normal college, and later in a State university maintained by public funds. I would be the last one in the world to find serious fault with the schools.

As a matter of fact, the parents of America see fit to farm out their children to school teachers. They depend upon the school teachers to teach the youngsters, not only reading and writing, arithmetic and geography, history and English, and the languages but they leave the school teachers to instruct how to arrange the table, how to cook eggs, how to enter a room, and how to be properly introduced. We give over to the school teachers of America the very manners of the children, and certainly instruction in morals.

There is a great difference of opinion I find among educators as to what ought to be done about this subject. On one of our visits to New York we had a 2-day hearing devoted to juvenile delinquency. We had before us professors, teachers, social workers, police agents, ministers, and many of those interested in the social life as well as criminal administration.

One witness said that morals and ethics cannot be taught by precept, that it can be done only by example. With the belief I have about the Ten Commandments and the Sermon on the Mount, I should dislike to feel that we could not teach something by precept.

We must find out whether or not the methods of education should be redefined. Are we setting up the proper objectives in education? Are we seeking simply to crowd the little brains of our children with information and failing to impress upon them that the real objectives of school are involved in leading the pupils in the way of becoming good parents and good citizens?

We have now assisting the committee of the Senate a group of educators. At a later time the committee will present to the Senate the suggestions made by these great leaders of educational thought in America as to what may be done through the public schools, through the colleges, and the universities to do away with the development of the criminal instinct. My purpose now is merely to suggest that we have in mind this aspect of the case.

Of course, our primary object was to find out how we could stop crime, how we could stop criminals. Our specific instruction was to deal with two aspects of crime—the so-called "racket" and kidnaping.

I desire to speak first about the rackets, the racketeering, the protective business rackets, the levy of tribute upon society. In this connection I will discuss the economic cost of crime.

Have you any idea how much crime costs America? I am about to give you, very briefly, an outline representing the views of a writer who had investigated this subject as to the cost of crime. If I am not diverted from my thought, I shall make a comment upon the figures. These figures were printed in the Manufacturers' Record 2 or 3 years ago, and I desire to give you a summary of these figures as to the cost of crime.

First. Losses through frauds, including fraudulent securities: We do not have to be reminded in the Congress about the loss to the American people through fraudulent securities. The Banking and Currency Committee has been in session for the past year. It has brought out facts which show a most outrageous state of affairs in the financial world as to fraudulent securities—securities put out under pretense of great worth when they are actually worth nothing. So included in this first category are losses through frauds, including fraudulent securities, embezzlements, forgeries, worthless checks, and fraudulent bankruptcies, amounting to $1,270,000,000—over a billion and a quarter dollars every year.

Second. Property losses through burglarly and robbery: I might say to the Senate that I was on the way over to Chicago for our hearing there I stayed overnight in Erie, Pa., and in the morning my trousers and $400 had disappeared. I thought it was outrageously mean. The Senator from Arkansas [Mr. ROBINSON] wants to know how I happened to have so much money. I was going to the Fair as well as to this committee meeting, and knowing the prices they charged over there, I thought it would be necessary for my party to have at least that much money. But these criminals robbed the Chairman of the Committee on Crime of his trousers and $400!

I was interested to find, as I shall bring out later, that the average loss from each individual crime is considerably larger than $400. I want my leader to know that I really got off easily.

To revert to the subject in hand, I continue reading this classification:

Second. Property losses through burglary, robbery, transportation thefts, thefts from warehouses and the mails, and the economic value of 12,500 murdered persons total $1,160,000,000 every year. The average number of murders in the United States per year is 12,500, so we have in this second category an annual loss of $1,160,000,000.

Third. Cost of law enforcement, including police and prison budgets, and cost of criminal justice and legal expenditures total $4,000,000,000.

Fourth. The waste of crime. That is another most important item. This includes 500,000 extra policemen—that is, policemen not engaged in traffic regulation but who are directly employed in the apprehension of criminals and the prevention of crime—private detectives and private patrolmen, about 500,000.

Then there are 2,000,000 crimes per year at $1,500 each. These figures are ascertainable from the indemnity companies, insurance companies, and so forth. There are 2,000,000

robberies, crimes, and so forth, with an average loss of $1,500, each year.

Also, the expense of commercialized vice, the drug traffic, the liquor traffic, and the economic value of their victims. The figures in this category total the enormous sum of $6,503,000,000.

According to this record then, the annual cost of crime in the United States reaches the staggering amount of $12,933,000,000.

I believe these figures are dependable. Even though they did not amount to half this, the sum would be staggering; but if they do reach 13 billions, with our annual income reduced now to about 50 billions, it means that 25 cents of every dollar earned in the United States is the amount levied to pay the cost of crime. This is 10 times as great as the combined cost of maintaining the Army and the Navy. It is four times as much as the cost of maintenance of the Federal Government. It represents a sum sufficient to pay every dollar of Federal, State, and local taxation. It represents, as I have said, an amount equal to one fourth of the annual national income. In short, one dollar out of every four we spend is our contribution to the cost of crime.

If we had no other reason than the economic loss, we would be anxious to do what we could to prevent such a waste.

I desire now to speak briefly about the so-called "rackets."

A friend of mine in New York owned a store and decided that he would use it for the sale of automobile accessories. To this end he put a magnificent plate-glass front in his store, really a showcase. When he unveiled it a young man entered his store and said, "You have a beautiful plate-glass front. You should join the Plate Glass Protective Association." My friend said, "What is that?" He said, "We patrol the streets and guard the property of our members." "How much does it cost?" "Fifteen dollars a week."

My friend said, "Why, I cannot pay $15 a week to have my plate glass protected. I will depend upon the insurance companies." "All right," said the walking delegate. He left the store; and the next morning my friend came down and found his plate glass smashed. He collected his insurance, replaced it, and had the same experience over again; and then he could not get any more insurance.

Then what did he do? He paid tribute of $15 a week to this scallawag organization in order that he might do business and preserve his property and display his goods in this plate-glass showcase.

That is a local racket. I am not bringing it to you with any idea that that can be prevented or controlled or regulated by any sort of Federal legislation. I could name you 150 such rackets, including the laundry racket.

If you have a hotel, a man comes in and says, "We want to do your laundry." "We do not want to change. We are satisfied." "All right." The next time the laundry goes out, with these magnificent linen sheets and pillowcases, and towels, and so forth, they put acid on the linen and destroy it, and ultimately force the hotel man to hire that particular laundry.

There are 150 of such rackets, local rackets. As a matter of fact, most crime is local, and most of it must be controlled by local forces—by the police and the judges and the prosecuting attorneys, and so forth, of the locality.

Mr. FESS. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. FESS. I was wondering how it would be possible for Federal legislation to correct these evils so long as the public will permit it.

Mr. COPELAND. Federal legislation cannot correct these evils so long as business men pay tribute, until courage is put in the hearts of citizens of the United States, and they say, "We will not tolerate this evil."

Mr. FESS. As effective as a penalty might be, there is not any such effective penalty as the condemnation of the public if the public should become aroused.

Mr. COPELAND. Right; and not until the public is aroused locally, so that the police do their duty and the judges do their duty and the jurors do their duty, can we expect to have these nasty, wicked crimes prevented.

Mr. FESS. The Senator from New York deserves the gratitude of the country for making an exposition of such a thing as this as one of the aids to better public opinion.

Mr. COPELAND. I thank the Senator. The highest tribute we have had came from Mr. Keenan, who said that there has been such an arousing of public sentiment that jurors do their duty. Until we build up character and courage and respect for what citizenship means, we cannot expect to do away with or control crime.

I am not using all these words to convince Senators that I believe it is possible to do away with crime. I know that crime will exist and that there will be criminals until the end of time. Crime started back in the Garden of Eden, and I suppose will be here when the millennium comes. But we can do a lot to stop it; and if we do not stop it orderly government will break down and the underworld will take possession, as it has done in many places, as I stated a few moments ago.

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER (Mr. O'MAHONEY in the chair). Does the Senator from New York yield to the Senator from Michigan?

Mr. COPELAND. I yield.

Mr. VANDENBERG. I am sure the Senator would not want to be misunderstood in respect to one statement which he recently made, namely, that crime is essentially local.

Mr. COPELAND. Oh, no.

Mr. VANDENBERG. Of course, it is local in its inception; but in this automotive age it has become so nonlocal and so interstate in character that the very lack of a localized entity is the reason for the committee's work.

Mr. COPELAND. I hope I have not been misunderstood. I insist that the great majority of the crimes which I have included in this list are local, and should be dealt with as such. But, beyond that, as the Senator from Michigan has so well said, in this day of hard-surfaced roads, high-powered automobiles, and airplanes, and with the aid of the telegraph and the telephone and the radio, there are few crimes of organized groups which are not interstate in nature. Of course, we are going to speak about that in connection with the bills which we will present.

Mr. VANDENBERG. Mr. President, if the Senator will yield further, he will recall the most vivid example we had of the demonstration of this new interstate character of crime in the testimony of the very able Assistant Attorney General, Mr. Keenan, who had just returned from his Oklahoma prosecution of the Oklahoma kidnapers.

Mr. COPELAND. Successful prosecution.

Mr. VANDENBERG. Successful prosecution, and a very brilliant prosecution. He brought to our notice the fact that while the kidnaping occurred in Oklahoma, the money passed in Minnesota, the hide-out was in Texas, and some of the chief arrests were in Ohio. Obviously it would be impossible to control that type of crime through mere local activity.

Mr. COPELAND. The Senator is entirely correct.

Before I leave the subject of the rackets I want to give one example of a racket which is not intrastate but is a crime involving interstate activity, and which may properly be considered here, and in the control of which we have prepared bills which will be useful. I refer to the poultry racket.

There is in my city of New York a very large Jewish and Italian population. With those people there is a demand for live poultry. A housewife goes to the poultry market and selects the bird and has it killed in her presence. That industry is so great that it amounts to about $200,000,000 a year in New York City, so it can be seen that it is a tremendous business.

The poultry comes from the West, from Missouri, Arkansas, Nebraska, Wisconsin, Illinois, Indiana, and from various southern States. Senators will remember that the geography of New York City is such that the city itself lies on a

narrow island, with no freight railroad reaching the island except the New York Central, which comes down the river from Albany. All the other railroads, like the Erie, the Pennsylvania, the Baltimore & Ohio, the Delaware & Hudson, the Lackawanna, the Lehigh, and others, unload their freight in Jersey City. In Jersey City, which of course is in New Jersey, across the river from New York, there are poultry terminals.

The poultry is brought from the West in special cars, "Pullman palace cars" for poultry. When the poultry is unloaded from the cars in Jersey City, the birds are put into wooden coops, each coop holding about 20 birds. Those coops, which are very cheap affairs, I suppose can be made for $2. They are loaded on trucks, the trucks are taken across on the ferry to the West Washington Market, or some other market, and there they are unloaded.

In order to get those birds from the car they have to be put into coops, which are rented from a concern having a monopoly, and $1 per trip is charged for them. In order to fill the coop, two men are employed, and then to lift the coop from the platform to the truck, two other men are employed, and the truck must be one which is owned by the monopoly controlling the transportation of live poultry. After the poultry gets across the ferry, two men must be employed to lift the coop off the truck to the sidewalk.

It costs $321 for the 5 days consumed in the transportation of a carload of poultry from Iowa to Jersey City. It costs $387 to unload that poultry in Jersey City and deliver it from Jersey City over to New York, which operation takes 5 hours. The cost of the transaction has been more than doubled by reason of the excessive charges made through these methods demanded in the handling of poultry in the terminal. If they do not hire the right truck and use the right coops the poultry will never reach its destination in salable condition. The poultry racket has become one of the most outrageously dishonest and corrupt and vile industries known to the criminal world.

It is not so true now, but it used to be a common thing for someone to be killed, and that still happens occasionally. The poultry racket has resulted in the loss of many lives. One of the men interested told me once that the poultry business is dishonest from the time the egg is stolen from under the hen to the time the cook takes a little white meat off the wing. It is an outrageous procedure, which costs the consumers of America hundreds of thousands of dollars every year. That is an interstate racket, and we hope we have found a way to control it.

Mr. MURPHY. Mr. President, will the Senator yield to me?

Mr. COPELAND. I yield.

Mr. MURPHY. The Senator will recall, in connection with his statement of there being a racket in New York, that no charge is made as to the existence of any such racket in Chicago, where the underworld has been unsuccessful in racketeering the poultry business, owing to the refusal of the men engaged in the business to accede to the demands of the racketeers seeking control of the labor unions; making it evident that it is something which can easily be corrected by law.

Mr. COPELAND. Mr. President, my colleague on the committee, the Senator from Iowa, is correct, and I think that his personal efforts in Chicago, through his activities upon this committee, have resulted in a correction of many of the evils which did exist in the poultry industry in that city.

In connection with the poultry industry, I will present the first bill framed by the committee, which is a bill to amend the Packers and Stockyards Act. We ask that this particular bill be referred to the Committee on Agriculture and Forestry. Its purpose is to place under the jurisdiction of the Department of Agriculture the poultry industry in the same manner in which the industry having to do with cattle and other livestock is placed under that Department. The industry interested in sheep, hogs, goats, and all sorts of animals used for meat, is regulated under the Stockyards Act. If we can amend that act, and include poultry, there will be the same supervision over the terminal charges relative to poultry that is now exercised in relation to livestock.

One of the very common practices found in every large seaport is operated through practically the same methods that I have described in connection with poultry, except that more violence is used. When goods are shipped in from abroad, and are upon the docks of the various seaboards, the same demands are made in the way of excessive charges and the use of monopolistic features that we find in connection with the poultry business. So we also present a bill which seeks to protect trade and commerce against interference by violence, threats, coercion, or intimidation. This bill is presented for reference to the Committee on the Judiciary.

Likewise, we have a bill to amend an act which heretofore has related only to foreign commerce, exportation, so as to include interstate commerce, transportation between the States, in which we seek to enlarge the powers of existing law sufficiently to give protection against such methods as I have described. This bill is presented for reference to the Committee on the Judiciary.

It has been found in cases involving extortion, as in kidnaping cases, that the telephone, the telegraph, the radio, and other means may be used for sending messages, which in many cases would make the crime an interstate crime, and therefore subject to Federal control. Therefore the bill just referred to should be referred to the Committee on the Judiciary.

Before we come to the subject of kidnaping, I desire to speak of two other matters which have to do with property rather than persons; and I speak now of a bill which we are presenting which is not new to the Senate. It is new in this form, but has been introduced in the Senate heretofore. This is a bill providing for punishment where securities are stolen and transported in interstate commerce or foreign commerce.

Likewise, we recommend that the provisions of the National Motor Vehicle Theft Act shall relate to other property than automobiles. We realize the difficulty of administration of this act, so we are seeking to aid the Department of Justice to some extent by providing that the amount involved shall be $1,000 or more, the provision of the bill being:

> Whoever shall transport or cause to be transported in interstate or foreign commerce any goods, wares, or merchandise of the value of $1,000 or more, knowing the same to have been stolen, shall be punished by a fine of not more than $10,000 or by imprisonment of not more than 10 years, or both.

Senators will recall that in the Dyer Act there is this provision for protection as against stolen automobiles; but it is the feeling of the committee that the provision should be extended to securities and other property as well.

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Michigan?

Mr. COPELAND. I yield.

Mr. VANDENBERG. Referring to the last bill which the Senator from New York has mentioned, it would further illuminate the record if I were to state that in most instances in the Midwestern States where we have had bank robberies the stolen property has ultimately shown up, usually in Chicago or some other metropolitan city. The only possible way in which the Federal Government could take any share of jurisdiction in respect to the pursuit of the criminal or in the punishment of the crime, other than the authority given them under the Dyer Act with respect to the automobile of the robber if it happened to be stolen, is through some such legislation as that which is here proposed, which brings that robbery within the interstate authority of the Federal Government through pursuit by the Federal Government of the stolen securities. I think the net result is tremendously to strengthen the hands of the local authorities with respect to bank robberies.

Mr. COPELAND. I thank the Senator; and in this connection I should like to present for inclusion in the RECORD a memorandum prepared by the Department of Justice relating to the proposed antiracketeering bills which we have presented.

The PRESIDING OFFICER. Without objection, it is so ordered.

The memorandum referred to is as follows:

MEMORANDUM REGARDING PROPOSED ANTIRACKETEERING STATUTE

The accompanying draft of the proposed Federal antiracketeering statute is designed to extend Federal jurisdiction sufficiently to permit prosecution of so-called "racketeers" for acts constituting racketeering.

In the past such persons have been prosecuted in the Federal courts for incidental violations of law, such as mail frauds or income-tax evasions. The nearest approach to prosecution of racketeers as such has been under the Sherman Antitrust Act. This act, however, was designed primarily to prevent and punish capitalistic combinations and monopolies, and because of the many limitations engrafted upon the act by interpretations of the courts the act is not well suited for prosecution of persons who commit acts of violence, intimidation, and extortion. Furthermore, the Sherman Act requires proof of a conspiracy, combination, or monopoly, and it is often difficult to prove that the acts of racketeers affecting interstate commerce amount to a conspiracy in restraint of such commerce, or a monopoly. Moreover, a violation of the Sherman Act is merely a misdemeanor, punishable by 1 year in jail plus $5,000 fine, which is not a sufficient penalty for the usual acts of violence and intimidation affecting interstate commerce.

The accompanying proposed statute is designed to avoid many of the embarrassing limitations in the wording and interpretation of the Sherman Act, and to extend Federal jurisdiction over all restraints of any commerce within the scope of the Federal Government's constitutional powers. Such restraints if accompanied by extortion, violence, coercion, or intimidation are made felonies, whether the restraints are in form of conspiracies or not. The proposed statute also makes it a felony to do any act affecting or burdening such trade or commerce if accompanied by extortion, violence, coercion, or intimidation.

The provisions of the proposed statute are limited so as not to include the usual activities of capitalistic combinations, bona fide labor unions, and ordinary business practices which are not accompanied by manifestations of racketeering.

Offenses of the character designed to be prohibited are of such a serious nature that it is believed proper to make them felonies, punishable by imprisonment for not less than 1 year and for as long as the court in its discretion shall determine, and in addition by a fine at least commensurate with the amount of the unlawful gain. In one racketeering case prosecuted under criminal provisions of the Sherman Act the unlawful gain was estimated to exceed $10,000,000 per year, but the fine was limited by the act to $5,000 for each person convicted. Under such circumstances it might be said that crime does pay. The penalty here suggested would cancel the benefits derived from the unlawful venture.

WALTER L. RICE,
Special Assistant to the Attorney General.

Mr. COPELAND. Besides the bills which I have mentioned, we have several which relate to kidnaping.

Kidnaping is in many ways the most terrible of crimes, in my opinion. It does not seem possible that any human being could conspire with others to seize a perfectly innocent person and carry that person away with a view to extorting money from the family.

Of course, all these forms of rackets, as a matter of fact, are not new. We can see today the ruins of the castles on the Rhine and on the Danube where lived the robber barons who collected tribute of this character. Likewise in the East the camel caravans, loaded with spices and other valuables from the East, were levied upon in the past.

There are classical instances of kidnaping, but kidnaping is becoming all too prevalent in the United States. It is our desire to present for the consideration of the Senate bills which will be helpful in controlling this crime.

To this end we present a bill prohibiting the transportation of kidnaped persons in interstate commerce, and amending the act to include certain language which I will read. We find, from the evidence adduced before the subcommittee, that there are many appeals made to the police to find persons thought to be kidnaped, or at least to find some means for the return of such persons. Of course, there is always a question as to whether the crime is an interstate crime; whether or not a State line has been crossed in any manner, either by the transportation of the victim or by a message sent by radio or telegraph or otherwise.

A person disappears and the question is, Has he been kidnaped? Many times it is ultimately determined that the victim was actually kidnaped and taken across the State line, as stated by the Senator from Michigan, and as was done in connection with a notable case. It happens then that the Division of Investigation is called in when the clues are cold, when there is no opportunity to study the case at first hand. So the committee has seen fit to recommend an amendment to the so-called "Lindbergh law" providing—

That in the absence of the return of the person or persons so unlawfully seized * * * for or during a period of 3 days, it shall be presumed that such person or persons have been transported in interstate or foreign commerce * * *.

That gives an opportunity for the Federal Government to go in early, not to interfere with the local authorities but to get all the evidence at first hand as early as possible, on the presumption that if the missing person has been gone 3 days he has been transported in interstate commerce.

I should not desire to tire the Senate with any extensive observations relative to these bills, because they are sure to have hearings before the committee, and there will be abundant opportunity to consider their merits or demerits.

Mr. President, we come to the question of dealing with the criminal. One of the most difficult tasks that the prosecutor has in connection with crimes of violence relates to the disappearance of the witnesses. Many a police force—to use the language of that professon—has "worked up" a good case; the evidence seems complete; the prosecutor is hopeful of conviction; and then he finds that his witnesses have disappeared. The problem of the fugitive witness is one of the great problems in the administration of criminal law. That is particularly true of a city like mine where, I might say, we have a 5-cent fare across to Hoboken or over to New Jersey. The witness disappears; he goes into another State; he is sent there either by fear or by a bribe. It is a difficulty that has confronted the prosecutor of Wayne County, in Michigan, where witnesses have disappeared and gone over into Ohio.

What can be done about that? There is no power in the Government to return a witness to a crime. The principal may be extradited, but not the witness. If those of us who are here now, saw a murder committed in the District of Columbia—and perhaps there are those here who would like to have a murder committed [laughter]—were to go across the line into Virginia there is no way in the world that we as witnesses could be brought back. We have here a bill making it a felony for a witness to a crime to flee to another State.

My very old friend and colleague the Senator from Michigan [Mr. VANDENBERG] thinks he sees in this an opportunity to help the State courts. We have an agreement in the committee that these bills shall be presented jointly where we are all agreed that they should be so presented; and this one is so presented, but I do not share the optimism of my friend from Michigan as to what can be done under it. He hopes that a witness to a crime against the State law may, by the operation of this proposed law, be brought back by the United States district court, and then, when the witness is returned and within the jurisdiction of the State court, that he may be turned over to the State court for the benefit of the State authorities in carrying on the prosecution. Of course, I do not think that can be done, but nevertheless——

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. VANDENBERG. Whether the theory of the Senator from New York be a sound one or not, he will agree that undoubtedly there will be infinitely fewer fugitive witnesses as a result of the existence of this proposed statute.

Mr. COPELAND. There is no doubt about that.

Mr. VANDENBERG. And I remind the Senator that the prosecuting attorney of Detroit and Wayne County testified that, in his judgment, the mere existence of such a statute as this will probably solve 90 percent of his prosecuting difficulties; and if the final 10 percent cannot be overtaken because of the adverse argument the Senator has indicated, nevertheless the correction of 90 percent of the fugitive-witness and the fugitive-defendant difficulties in Detroit will be a stupendous contribution to the public welfare.

Mr. COPELAND. Mr. President, I think the Senator from Michigan is entirely correct. When it is known that to flee the State is a felony under the Federal law, one whose pres-

ence is desired by the State court will hesitate to go away. So it will do great good; I have no doubt about it. I hope it may ultimately be found to be effective with reference to the other 10 percent of the cases.

The bill I present for reference to the Committee on the Judiciary makes it unlawful for any person to flee from one State to another for the purpose of avoiding prosecution or the giving of testimony in certain cases.

Mr. WALSH. Mr. President——

Mr. COPELAND. I yield to the Senator from Massachusetts.

Mr. WALSH. I have not had an opportunity to hear all the Senator has been saying. I assume he has been discussing some of the evidence presented before the special committee of which he has been chairman and to which he devoted so much time during the recess?

Mr. COPELAND. The Senator is correct.

Mr. WALSH. I should like to hear the Senator discuss the conclusions, if any, which the committee reached upon what seems to me to be a very serious aspect of the whole question of crime prevention. Many people are of the opinion—and I am one of them—that the courts fail to deal sufficiently harsh—I think we all agree that they do not deal promptly—with crimes growing out of acts of violence. I should like to have the Senator inform us what recommendations he proposes to make which will tend to awaken the courts to a realization that the leniency displayed in the past when defendants have been brought before them and found guilty of serious acts of violence is not always well directed. Does the Senator comprehend my question?

Mr. COPELAND. I do.

Mr. WALSH. Let me say to him, as an illustration, that within a few days my attention has been called to three cases in the District of Columbia of a very serious character. One was a case where a woman's throat was slashed by a man engaged in robbing a store; another was a case where a bandit used a gun and shot and wounded two policemen. My recollection is that the penalty imposed was something less than a sentence of 2 years in each case. I must say that I think a contributing factor to the spread of crime, particularly crimes where force is employed, is the leniency manifested by our courts in dealing with that class of criminals.

Mr. COPELAND. I thank the Senator from Massachusetts. Anything he suggests comes from a ripe experience and sound judgment. Of course there must be celerity and certainty. There must be certainty of apprehension of the criminal and celerity in dealing with him. England has a great advantage over us in speed of action.

When it comes to the question of punishment there are two schools of thought. There is the one school believing that the punishment should suit the crime, that there should be great severity in dealing with the criminal.

Mr. WALSH. The Senator will keep in mind that I am inquiring only about the use of dangerous weapons.

Mr. COPELAND. Yes. In a few moments I shall present the last bill which the Department of Justice regards as the key bill in the control of firearms. But the Senator has asked a question which I desire to answer more fully.

Personally—and I speak only for myself and not for the committee in this—I do not believe that punishment of crime is a deterrent. It will be recalled that years ago in England they had a long list of crimes where death was the penalty—more than 100, my friend the Senator from Utah [Mr. KING] informs me sotto voce. Among other crimes the picking of pockets was punishable by death. In order to make this law effective and to give warning to all pickpockets that it meant death if they picked pockets, they had public executions where everybody could come and see the pickpockets killed. They had to give it up because there were too many pockets picked at those public executions, and they had to proceed to some other method of dealing with pickpockets. [Laughter.] Of course that is an extreme case.

But Mr. Lawes, who is the warden at Sing Sing prison and a popular writer on penology and a great student of the subject, is thoroughly convinced that severity of the sentence does not prevent the commission of the particular crime so far as the remainder of society is concerned.

Mr. WALSH. But it does deprive a dangerous character of the opportunity to repeat the crime.

Mr. COPELAND. That is true, but the Senator was not here when I discussed this matter previously. I said, before his return from the committee where he was engaged, that in my judgment there ought to be another body to deal with the prisoner after he has been convicted, a body of equal dignity. Many of the convicted persons are abnormal. They are mentally defective. They are physically defective. They are dangerous and must be dealt with in a way to protect society. But when we find a man who has killed another, simply to execute him does not answer the purpose of society.

It may, so far as he is concerned; but we ought to inquire, I think, about why he is antisocial in his nature, and so forth. Certainly there can be no doubt that when a man in possession of his normal mental processes, who has no excuse by reason of disease or otherwise to fail to act as a rational person, is found to be the possessor of a gun which he does not hesitate to use, he must be dealt with severely. I do not disagree with the Senator from Massachusetts about that.

Mr. WALSH. Has the committee made any investigation of the sentences that have been imposed in the past in the class of cases to which we have made reference?

Mr. COPELAND. The committee is now in process of studying the question.

Mr. WALSH. I mentioned three cases called to my attention in the District of Columbia—cases of highway robbery, where murder was attempted.

Mr. COPELAND. In one of our hearings—and I will not mention the city—it was shocking to find how men who, from my standpoint, ought to be incarcerated for 150 years and who were out of prison in 2 or 3 years. Sometimes on one pretense or another they utterly escaped any punishment whatever.

I spoke about the line-up for police inspection, where half of them were found to be out on probation and parole. There is something utterly wrong with the administration of our laws with regard to probation and parole. When it comes to the question of sentence, that, of course, is open to debate, but certainly no judge is worthy of his high place upon the bench unless he carries out the spirit and intent of the law for the protection of society.

Mr. WALSH. Does not the Senator believe that if an analysis of the cases were made public, it would have a very good effect in calling the attention of the courts to the desire on the part of the public for more severe sentences?

Mr. COPELAND. No Senator in this body has been more diligent and patriotic than the Senator from Massachusetts in the matter of taking the public into his confidence. When we have an aroused public and when they know what is going on in the courts and in police affairs, there will not be this wishy-washy administration of justice.

Mr. WALSH. I am glad the Senator feels that way about the matter.

Mr. COPELAND. Mr. President, I desire to hurry on and get these bills before us. I ask the attention of the Senator from Massachusetts [Mr. WALSH], who is an able lawyer. I call attention to two bills I am about to mention.

We find that many criminals, by the aid of willing accessories in the legal profession, find ways to evade final disposition of the matter before the courts. One of them is by repeated application for writs of habeas corpus. So we are presenting a bill which abolishes the right of appeal in all cases where a writ of habeas corpus has been granted to test the validity of a warrant of removal or the detention thereunder, and, after hearing upon the writ, the defendant has been remanded. In other words, we provide that he can have just one chance for habeas corpus; that he cannot keep it up for the rest of his life.

Mr. McKELLAR. Mr. President, I desire to ask the Senator a question, not about that particular matter, but in

reference to the granting of paroles by Federal judges under the parole law that was passed some years ago.

Mr. COPELAND. And which I introduced.

Mr. McKELLAR. Yes; which the Senator from New York introduced. Did the committee take evidence on the subject of paroles, and did the committee find that that law was working well or ill?

I will say to the Senator that so far as I have witnessed its working, it has rather been to the general benefit, in my judgment, of conditions of crime. I recall talking not long ago with one Federal judge who said that more than 90 percent of the men paroled had become good citizens thereafter, and were still good citizens; and I am wondering what the evidence disclosed to the committee.

Mr. COPELAND. I am very glad the Senator asked the question. I referred to the matter in the first part of my remarks.

I should like to say, first, that I am a firm believer in parole and probation as a general proposition; and, as the Senator has said, I did introduce some years ago the bill relating to the Federal courts. Frankness compels me to say that unless the machinery is provided and the funds voted for efficient application of the parole system it is a bad thing.

We have a very able man in the Department of Justice—Mr. Sanford Bates. He is the Superintendent of Prisons, as I understand.

Mr. WALSH. He is the Superintendent of Prisons. He was formerly police commissioner of Massachusetts.

Mr. COPELAND. I regard Mr. Sanford Bates as a very able man. At a time when I was being somewhat shaken in my conviction regarding the value of probation and parole Mr. Bates appeared before our committee as a witness, and he pointed out this fact:

He said, "Suppose a man's sentence is 7 years. It does not matter about the crime; but suppose his sentence is 7 years, and he continues in prison for the full 7 years. He then returns to a cold world, where he has no welcome. He has no job; he has no place; and pretty soon he is rebuffed to the extent of becoming decidedly antisocial. No matter what he was before, he becomes a foe to society, because he is opposed by society."

Mr. Bates pointed out how much better it is to take the man at the end of 4 years, we will say, and put him on parole, so that for 3 years he is under supervision. He is not fully restored to society. Unless he is a decent citizen he can be taken back to prison at any time. Mr. Bates said that in that 3 years there is a rehabilitation of the man both socially, and probably economically. That is right. I believe in that when there is proper application of the law, where there is supervision, and where there is money enough to have the agents, visitors, and so forth. But if we simply take the man out at the end of 4 years, with perhaps only a decent history of being a good prisoner; we take him out and turn him loose without any supervision, and we do not know what is going to become of him. If we are to have probation or parole at all, we must have the man under real supervision. That is the criticism I have to offer of the system as it is applied at present. Where there is actually that supervision after the man leaves prison until the end of his term, then it is a good thing, but otherwise it has no value.

Mr. McKELLAR. He has to have a sponsor under the law.

Mr. COPELAND. The Senator knows what that means.

Mr. McKELLAR. Frequently that has a very real meaning. I think the parole system is, on the whole, beneficial to society. I really believe that. It ought to be administered in accordance with the highest principles of justice, and I have no doubt that in most instances it is. Where it will make a better citizen out of a criminal, necessarily it is a good thing.

Mr. COPELAND. I want to repeat what I said, that I believe in it, but unless there are appropriations to build up the machinery for care and supervision of the man when he comes from prison, the whole system breaks down.

Mr. WALSH. Is not that the general practice? It is in my State.

Mr. COPELAND. It is the general practice, perhaps, in most States, so far as the cities are concerned. In the rural sections there is not the same application of the laws which relate to criminal jurisprudence.

The next bill has to do also with the care of the man after he has been captured, and it relates to the abuse of the alibi. The last resort of a lawyer defending a case is to offer an alibi, to attempt to prove that the client was not at the scene of the crime at all, and he springs the alibi proposal at the time when the prosecutor has no opportunity to investigate it. Perhaps the proper decision is not made in the case because of the inability of the prosecutor to break down the alibi. So we propose that the defense of an alibi shall not be interposed in the prosecution of any criminal case in any court of the United States unless notice of an intention to interpose such defense is given and entered on record in the case at the time the man is arraigned for trial. When the case is prepared the lawyer of the defendant says, "I am going to interpose an alibi." Then the prosecutor will have an opportunity to investigate the merit of the defense and find out where the man actually was at the time of the commission of the crime.

Another bill which we have been asked by the Department of Justice to present is one providing that the testimony of any defendant given under authority of this act shall be given before any other testimony for the defense is heard by the court trying the case. If a defendant is going on the stand in his own defense, he must first give his own testimony, and in any such trial or proceeding the husband or wife shall be competent but not compellable to testify for or against the other, but neither shall be competent to testify as to any confidential communications made by one to the other during marriage.

Another bill is one to authorize the consolidation of the investigative agencies of the Government. I will not speak at any length about that now, but the question arises as to whether or not it may not be wise to consolidate the various divisions and bureaus having the duty of investigating activities of one sort or another in customs and post-office frauds and that sort of thing.

Mr. McKELLAR. In other words, the secret service of the Treasury Department, the Post Office Department, and the Department of Justice are all to be consolidated. Is that the purpose?

Mr. COPELAND. Let me read it:

> That the President is hereby authorized, by Executive order or orders, to transfer the whole or any part of any or all executive agencies engaged in investigating violations of any laws of the United States—

And so forth.

I have no convictions as to how far it is to go, and I say that now because I know there will be a flood of protests from many who are happy in the particular locations where they are at present. I want to say this, in that regard, that there will be a hearing to bring out whether or not the plan is wise, and how far it should go.

Mr. McKELLAR. Before the Senator leaves that, are we to build up a Russian cheka in this country? We are getting to have a tremendous secret-service organization, or perhaps I should say organizations. I am not so sure about the value of these secret-service organizations. I think they are frequently used as a means of doing great wrong, and I have my doubts about secret-service systems in a republican form of government like ours.

I have been astounded at the tremendous growth and the use of large sums of money for the "secret service", as it is called, of the Department of Justice. I am just wondering whether the Senator is giving his approval, or will he, after this investigation, advise the Senate to give its approval, to a larger and a stronger system of secret service in our Government.

Mr. COPELAND. Mr. President, the Senator has asked a question, and I must answer it in all frankness.

We have a bill dealing with that subject, which I do not bring to the attention of the Senate today because the subcommittee has not had an opportunity to study it. But I think I may say that we are agreed that this bureau spoken of by the Senator should be enlarged.

I know what evils have crept into the system in the past, and I want to avoid them so far as possible, but the Senator would be amazed, perhaps, to hear the responses to a questionnaire which I sent out to the 48 Governors of the States of this Union. I asked five questions. I will not give them in detail, but in effect. I asked, "Do you believe that it would be advantageous to have the Federal Government cooperate more closely with the States in the administration of criminal justice so far as those matters are concerned which might possibly have an interstate significance?" I asked a similar question looking to what I called an American Scotland Yard, using the term in an Oppenheim sense, a legendary sense, because, as a matter of fact, I say in all truth that I believe that the Division of Investigation of the Department of Justice in the Federal Government of the United States is unsurpassed in this world as an investigative body and an institution for running down criminal activities. That is my testimony, and at some other time I am going to enlarge on it.

Mr. McKELLAR. It was alleged in the newspapers at one time that this secret service body of the Department of Justice investigated and rifled certain Senators' offices here in the Capitol. The Senator does not approve of that, I know.

Mr. COPELAND. I certainly do not approve of it, and I have some very profound convictions about certain personnel which I will discuss in private with the Senator. But honestly administered and capably administered, this Division of Investigation can be made a more powerful agency for good in its field than any other arrangement that could be suggested. That is my opinion.

As I have said, I am speaking now for myself. I want to have an enlargement of this body and would have the Governor of each State recommend to the Attorney General two persons regarded by the Governor as suitable to be members of this Division of Investigation, nominated, just as we nominate men to enter West Point. Then these candidates of the Governors will be examined by the Department of Justice to see whether they are worthy and well qualified. If they are, they will be made members of the Division of Investigation, given the training which we give all of our men—and I want to say that it is good training—and then paid, because they are Federal officials, from funds appropriated for the Division of Investigation. They will then be assigned to the particular State from which they have come.

The response has been amazing. I expected to have protests from many States where there was a firm conviction of State rights, such as Connecticut, my neighboring State, which is one of the strongest State-rights States in the Union. Out of 48 Governors, 36 have responded, and 34 of them are in favor of the plan. Almost every Southern State approved of it.

What would these two men from the Senator's State do? Every State, no matter how rural may be its population or how wide its expanse, is entitled to give the very best it can in the way of protection against the criminal. In my native State the sheriff of the average rural county is selected not because he knows anything about police methods or the apprehension of criminals but because he is a popular man. He is made the sheriff. He is the chief peace officer. It happens many times in my State in a rural county that the citizen is given almost no protection, not because of any unwillingness on the part of the sheriff but because of his lack of knowledge of the way how to proceed in the apprehension of a criminal.

Mr. WALSH. Mr. President, does the Senator's State have a State constabulary?

Mr. COPELAND. Yes; we have.

Mr. WALSH. Do they not take care of crimes in the rural districts?

Mr. COPELAND. They do; but in many States there is no State constabulary.

In the case of the two men provided for, one man would be on duty in his own district, and one man at the Division of Investigation of the Department of Justice in Washington, or central headquarters. He would be a man who would become acquainted with the peace officers of the State, and at the same time he would be the custodian of the copies of the fingerprints. He would have at his command experts in chemistry and bacteriology who could help to solve the question of the crime.

We have on file here in Washington over 4,000,000 fingerprints, the largest collection of fingerprints ever assembled; but they are almost unavailable in time of necessity in case of a crime happening, we will say, in Nevada or in Idaho, because it is so far away that it takes a long time to get the fingerprints sent on and the report returned.

To answer more fully the question of my friend from Tennessee, I may say that I do believe that the Division of Investigation, under safeguards, could be properly enlarged. I think that is the view of those in authority in the Federal Government.

The last bill I shall present which, as I said a little while ago, is regarded by the Department of Justice as the key bill, is the bill to regulate commerce in small firearms. I wish to state now that there is no intention on the part of the committee to interfere with sportsmen or to interfere with the possession of rifles and shotguns, nor to interfere with the possession of a pistol by a qualified person, one who should properly have it.

It is shocking to learn what we are doing in the way of increasing the possession of firearms in America. Since the end of the World War we have imported from abroad over 1,000,000 pistols. Our domestic manufacturers are turning out about 500,000 pistols per year. That means that since the end of the World War we have added to our possession of pistols and revolvers seven or eight millions. The life of a revolver is almost endless under ordinary use. So, taking the firearms we had in our possession before the end of the World War period, and adding to that number those we have acquired since, I suppose it is safe to say that we have 15 or 20 million pistols in the United States.

One would not have common sense if one thought he could prevent the acquiring of a pistol by a gangster or an underworld character; but until we have better control than we have now it will continue to be too easy for the gangster to get a pistol. I know that one can go into any machine shop and between sunrise and sunset have a pistol made, or something that would serve as a gun.

Bear in mind that in the United States 71 percent of our homicides, our murders, are committed by the use of firearms. In England the number is 10 percent; in Australia 17 percent; in Japan 1 percent. In the United States the ease with which any citizen can get a pistol makes that weapon the instrument of choice in almost all the crimes committed. That ought not to be so.

The plan which we have contemplates first licensing the manufacturer. The manufacturer can sell only to a licensed retailer, who in his turn is pledged to sell only to a person who is authorized under the law of his State to purchase a pistol.

Second, the manufacturer is required to file with the Secretary of Commerce at least one bullet fired from every gun he manufactures. The rifling in the gun fingerprints or marks the bullet, so that by having on file these bullets there can often be a determination as to whether the bullet came from this gun or from that gun.

Third, the manufacturer must have a serial number supplied by the Secretary of Commerce, the governmental number.

In the next place, the ammunition maker must be licensed and can sell only to a licensed retailer. The licensed retailer cannot sell ammunition except for a gun which the owner has a legal right to possess. If he owns a .38 Smith & Wesson, he cannot buy .44 cartridges. He must buy .38

cartridges. Furthermore, the bullet in casting must have marked on the bottom a letter.

Mr. WALSH. Mr. President, why not have the purchaser exhibit a card at the time he buys the ammunition?

Mr. COPELAND. That is also a good suggestion. The man who buys the ammunition will have a card which is issued by the State constabulary, with his photograph and his fingerprints on it, so there will not be any question about him. The caliber of the gun will also appear on the card. It will be well, however, to do as the Senator suggests.

The plan of marking the base of the bullet with a letter means that the country will be divided into sections. For instance, New England and New York might be in A section; Michigan and Ohio might be in B section; St. Louis might be in C section; San Francisco in D section. The seller of the ammunition must sell his A ammunition, for example, only in the A territory. If a man is found murdered in Arkansas, and a bullet is taken from the body of the murdered person, and on the base the letter A is found, the police officials know at once that that bullet came from New York or New England, and it will be a tremendous aid in running down the criminal.

Mr. VANDENBERG. It might be said that this fingerprints the ammunition, precisely as now we fingerprint the criminal.

Mr. COPELAND. The Senator from Michigan is right.

Mr. President, I ask that the last bill be referred to the Committee on Commerce.

We have presented today 13 bills.

Mr. WALSH. Is the Senator's committee still engaged in investigating this subject?

Mr. COPELAND. The committee is engaged in investigating it, and the committee is going to ask to be continued.

Mr. WALSH. I desire to urge upon the Senator, for I think it is highly important, that a systematic study be made of the manner in which violent crime cases have been disposed of and an analysis made of the facts. I think such a study will show a surprising record of extreme leniency, and that a great deal of our trouble with this problem is due to the fact that the courts have not dealt strictly and harshly with those guilty of committing crimes of violence.

Mr. COPELAND. If the Senator from Massachusetts will do us the honor to read the committee's record—and it is going to be so indexed that every matter such as this can be readily reached—he will find the testimony of judges and of leading citizens along the line suggested by the Senator.

Mr. WALSH. As yet, however, the subcommittee has not reached any conclusion on that question?

Mr. COPELAND. We have not yet reached any conclusion.

Mr. WALSH. The Senator from New York will agree with me that it would be well to find out how universal is the feeling on the part of the people in our country. I read in the press of our State and in the press of other States that there is a growing feeling that the courts are responsible for allowing some things, political or legal, to bring about a lenient disposition of these cases.

Mr. COPELAND. I think the Senator is right. I may say to the Senate that the select committee was given an appropriation of $10,000, and we still have $3,000 left. We have, I think, done this work as economically as similar work has ever been done by any committee; but, at the proper time, we shall ask that the committee be continued, so that it may operate through the coming recess, and report to the next session of Congress, because we have the feeling—and that is the feeling of the President and of the Attorney General and all those in authority—that this is a problem which should be gone into to the very bottom. I am sure the Senate will, at the proper time, give us the appropriation which we may ask for when we determine as to what it shall be.

Mr. President, these bills are presented. I assume they will be numbered and referred to the appropriate committees. In due time our committee will ask the Judiciary Committee to have hearings, perhaps grouping the various proposals we now present, and we shall present more a little later.

It is our purpose to bring before the Judiciary Committee at the proper time distinguished persons who have studied deeply the subject; and then, of course, it is our fond hope and expectation that these bills will be enacted into law. My feeling is—and I am sure that it is the feeling of the committee and of all of its members individually—that we have already presented, Mr. President, measures which, if enacted into law, will go far toward the control of crime in this country. If we can get these bills enacted into law, and then have them enforced, we believe that there will be such a tightening up of the forces operating against criminal activity as will be well worth while. So I urge upon Senators that, at the appropriate time, they study these bills and give the committee the benefit of any suggestions they desire to make.

Further, I ask the Senate to accept my apology for taking so much time. I had no idea this would be so long a speech; but I am going away tonight, I may say, to my leader, for a few days; and so I shall not again tire the Senate for some time.

The PRESIDING OFFICER. The several bills introduced by the Senator from New York [Mr. COPELAND], the Senator from Michigan [Mr. VANDENBERG], and the Senator from Iowa [Mr. MURPHY] will be received, printed in the RECORD, and referred to the appropriate committees.

The bill (S. 2246) to amend the Packers and Stockyards Act was read twice by its title, referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the act to regulate interstate and foreign commerce in livestock, livestock products, dairy products, poultry, poultry products, and eggs, and for other purposes, approved August 15, 1921 (U.S.C., title 7, secs. 181–229), is hereby amended as follows:

By adding to section 2 (a), subsection (4), and section 302 (a), after the word "cattle", the word "poultry".

Also by the addition at the end of section 201 of the following:

"The term 'poultry dealer' means any person engaged in the business (a) of buying or selling poultry in commerce for purposes of slaughter, or (b) of manufacturing or preparing poultry or poultry products for sale or shipment in commerce."

Sections 202, 203, 204, 205, 401, and 403 of said mentioned act are amended by the addition of the words "or poultry dealer" after the word "packer" wherever it occurs in the said mentioned sections.

By adding to section 305, after the words "stockyard owner", the words "or poultry dealer".

The bill (S. 2247) to amend section 1, title IV, act of June 15, 1917 (U.S.C., title 18, sec. 381), was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That section 1, title IV, act of June 15, 1917 (U.S.C., title 18, sec. 381) be, and the same is hereby, amended to read as follows:

"Violent interference with foreign or interstate commerce.—Whoever, with intent to prevent, interfere with, or obstruct or attempt to prevent, interfere with, or obstruct the transportation of articles to or from the United States or from any State, Territory, or the District of Columbia, to any State, Territory, or the District of Columbia, shall injure or destroy, by fire or explosives, or otherwise, such articles or the place or places where they may be while in such foreign or interstate commerce, shall be fined not more than $10,000 or imprisoned not more than 10 years, or both. The term 'United States' as used in this section includes the Canal Zone and all territory and waters, continental or insular, subject to the jurisdiction of the United States."

The bill (S. 2248) to protect trade and commerce against interference by violence, threats, coercion, or intimidation, was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the term "trade and commerce", as used herein, shall include trade or commerce between any States, with foreign nations, in the District of Columbia, in any Territory of the United States, between any such Territory or the District of Columbia and any State or other Territory, and all other trade or commerce over which the United States has constitutional jurisdiction.

SEC. 2. Any person who, in connection with or in relation to any act in any way or to any degree affecting, burdening, hindering,

destroying, stifling, or diverting trade or commerce or any article or commodity moving or about to move in trade or commerce—

(1) commits or threatens to commit any act of violence, intimidation, or injury to a person or property, or commits any act which is declared to be unlawful by the criminal laws of the State, district or Territory where the act is committed; or

(2) extorts or attempts to extort money or other valuable considerations; or

(3) coerces or attempts to coerce any person, firm, association, or corporation to join or not to join an association, firm, corporation, or group, or to buy or rent commodities or services from particular sources, persons, firms, or corporations, or to make payments directly or indirectly to any person, association, firm, corporation, or group except for a bona fide consideration; or

(4) coerces or attempts to coerce any person, firm, association, or corporation to do an act which such person, firm, association, or corporation has a legal right not to do, or to abstain from doing an act which such person, firm, association, or corporation has a legal right to do—

shall, upon conviction thereof, be guilty of a felony and shall be punished by imprisonment from 1 to 99 years, and, in addition, by a fine which shall be at least commensurate with the amount of the unlawful gain.

SEC. 3. Any person charged with violating this act may be punished in any district in which any part of the offense has been committed by him or his associates or his conspirators.

The bill (S. 2249) applying the powers of the Federal Government, under the commerce clause of the Constitution, to extortion by means of telephone, telegraph, radio, oral message, or otherwise, was read twice by its title, referred to the Committee on the Judiciary, and order to be printed in the RECORD, as follows:

Be it enacted, etc., That whoever, with intent to extort from any person, firm, association, or corporation any money or other thing of value, shall transmit in interstate commerce, by telephone, telegraph, radio, or oral message, or by any other means whatsoever, any threat (1) to injure the person, property, or reputation of any person, or the reputation of a deceased person, or (2) to kidnap any person, or (3) to accuse any person of a crime, or (4) containing any demand or request for a ransom or reward for the release of any kidnaped person, shall upon conviction be punished by imprisonment for such term of years as the court, in its discretion, shall determine: *Provided*, That the term "interstate commerce" shall include communication from one State, Territory, or the District of Columbia to another State, Territory, or the District of Columbia.

The bill (S. 2250) to punish the transportation of securities in interstate or foreign commerce was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That this act may be cited as the "National Security Theft Act."

SEC. 2. That when used in this act—

(a) The term "security" means any note, stock, Treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of interest in property, tangible or intangible, or, in general, any instrument commonly known as a security, or any certificates of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing.

(b) The term "interstate or foreign commerce" as used in this act shall include transportation from one State, Territory, or the District of Columbia to another State, Territory, or the District of Columbia, or to a foreign country, or from a foreign country to any State, Territory, or the District of Columbia.

SEC. 3. That whoever shall transport or cause to be transported in interstate or foreign commerce any security, knowing the same to have been stolen, shall be punished by a fine of not more than $10,000, or by imprisonment of not more than 10 years, or both.

SEC. 4. That whoever shall receive, conceal, store, barter, sell, or dispose of any security, moving as, or which is a part of, or which constitutes interstate or foreign commerce, knowing the same to have been stolen, shall be punished by a fine of not more than $10,000 or by imprisonment of not more than 10 years, or both.

SEC. 5. That any person violating this act may be punished in any district in or through which such security has been transported or removed by such offender.

The bill (S. 2251) to extend the provisions of the National Motor Vehicle Theft Act to other stolen property was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That this act may be cited as the "National Stolen Property Act."

SEC. 2. The term "interstate or foreign commerce" as used in this act shall include transportation from one State, Territory, or the District of Columbia, to another State, Territory, or the District of Columbia, or to a foreign country, or from a foreign country to any State, Territory, or the District of Columbia.

SEC. 3. That whoever shall transport or cause to be transported in interstate or foreign commerce any goods, wares, or merchandise of the value of $1,000 or more, knowing the same to have been stolen, shall be punished by a fine of not more than $10,000 or by imprisonment of not more than 10 years, or both.

SEC. 4. That whoever shall receive, conceal, store, barter, sell, or dispose of any goods, wares, or merchandise of the value of $1,000 or more, moving as, or which is a part of, or which constitutes interstate or foreign commerce, knowing the same to have been stolen, shall be punished by a fine of not more than $10,000 or by imprisonment of not more than 10 years, or both.

SEC. 5. That any person violating this act shall be punished in any district in or through which such goods, wares, or merchandise has been transported or removed by such offender.

The bill (S. 2252) to amend the act forbidding the transportation of kidnaped persons in interstate commerce was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the act of June 22, 1932 (U.S.C., ch. 271, title 18, sec. 408a), be, and the same is hereby, amended to read as follows:

"Whoever shall knowingly transport or cause to be transported, or aid or abet in transporting, in interstate or foreign commerce, any person who shall have been unlawfully seized, confined, inveigled, decoyed, kidnaped, abducted, or carried away by any means whatsoever and held for ransom or reward or otherwise shall, upon conviction, be punished by imprisonment in the penitentiary for such term of years as the court, in its discretion, shall determine: *Provided*, That the term 'interstate or foreign commerce' shall include transportation from one State, Territory, or the District of Columbia to another State, Territory, or the District of Columbia, or to a foreign country, or from a foreign country to any State, Territory, or the District of Columbia: *Provided further*, That if two or more persons enter into an agreement, confederation, or conspiracy to violate the provisions of the foregoing act and do any overt act toward carrying out such unlawful agreement, confederation, or conspiracy, such person or persons shall be punished in like manner as hereinbefore provided by this act: *And provided further*, That in the absence of the return of the person or persons so unlawfully seized, confined, inveigled, decoyed, kidnaped, abducted, or carried away and the apprehension of the person or persons offending against the provisions of this act for or during a period of 3 days, it shall be presumed that such person or persons have been transported in interstate or foreign commerce, but such presumption shall not be conclusive."

The bill (S. 2253) making it unlawful for any person to flee from one State to another for the purpose of avoiding prosecution or the giving of testimony in certain cases was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That it shall be unlawful for any person to flee from any State, Territory, or possession of the United States, or the District of Columbia, with intent either (1) to avoid prosecution for a felony under the laws of the place from which he flees or (2) to avoid giving testimony in any criminal proceedings in such place in which the commission of a felony is charged. Any person who violates the provision of this act shall, upon conviction thereof, be punished by a fine of not more than $—— or by imprisonment for not longer than ——, or by both such fine and imprisonment. Violations of this act may be prosecuted only in the Federal judicial district in which the crime was committed.

The bill (S. 2254) to amend section 1014 of the Revised Statutes of the United States was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That section 1014 of the Revised Statutes of the United States, as amended (U.S.C., title 18, sec. 591), be amended by adding thereto the following sentence: "The right of appeal is hereby abolished in all cases where a writ of habeas corpus has been granted to test the validity of a warrant of removal or the detention thereunder and, after hearing upon said writ, the petitioner has been remanded to custody for removal on said warrant."

The bill (S. 2255) to regulate the defense of alibi in criminal cases was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the defense of alibi shall not be interposed in the prosecution of any criminal case in any court of the United States unless notice of an intention to interpose such defense is given and entered as of record in the case at or before the time defendant is arraigned for trial.

The bill (S. 2256) to amend an act entitled "An act to make persons charged with crimes and offenses competent witnesses in United States and Territorial courts", approved March 16, 1878, was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the act entitled "An act to make persons charged with crimes and offenses competent witnesses in United States and Territorial courts", approved March 16, 1878 (U.S.C., title 28, sec. 632), be, and the same is hereby, amended to read as follows:

"In the trial of all indictments, informations, complaints, and other proceedings against persons charged with the commission of crimes, offenses, and misdemeanors, in the United States courts, Territorial courts, and court-martials and courts of inquiry in any State of Territory, including the District of Columbia, the person so charged shall, at his own request but not otherwise, be a competent witness: *Provided*, That the testimony of any defendant given under authority of this act shall be given before any other testimony for the defense is heard by the court trying the case. In any such trial or proceeding the husband or wife of the accused shall be competent but not compellable to testify for or against the other, but neither shall be competent to testify as to any confidential communication made by one to the other during marriage."

The bill (S. 2257) to authorize the consolidation of investigative agencies, was read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the President is hereby authorized, by Executive order or orders, to transfer the whole or any part of any or all Executive agencies engaged in investigating violations of any laws of the United States, and/or the functions thereof to the jurisdiction and control of the Division of Investigation of the Department of Justice. Such order or orders shall make provision for the transfer or other disposition of the records, property (including office equipment), and personnel of the agencies affected by such transfer and shall also make provision for the transfer of such unexpended balances of appropriations available for use in connection with the function of the agency transferred, as he deems necessary by reason of the transfer, for the use of the said Division of Investigation.

The bill (S. 2258) to regulate commerce in firearms was read twice by its title, referred to the Committee on Commerce, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That as used in this act—

(1) The term "person" includes an individual, partnership, association, or corporation.

(2) The term "interstate or foreign commerce" means commerce between any State, Territory, or possession, or the District of Columbia, and any place outside thereof; or between points within the same State, Territory, or possession, or the District of Columbia, but through any place outside thereof; or within any Territory or possession or the District of Columbia.

(3) The term "firearm" means a pistol, revolver, or any other firearm capable of being concealed on the person, a sawed-off shotgun, a muffler or silencer, a blackjack or any weapon of similar nature, brass knuckles, by whatever name known, a tear-gas pistol or pencil, or ammunition for any of said weapons.

(4) The term "manufacturer" means any person engaged in the manufacture of firearms, and the term "licensed manufacturer" means any such person licensed under the provisions of this act.

(5) The term "dealer" means any person engaged in the business of selling firearms at retail, and the term "licensed dealer" means any such person licensed under the provisions of this act.

SEC. 2. (a) It shall be unlawful for any person, except a manufacturer having a license issued under the provisions of this act, to ship or cause to be shipped any firearms in interstate or foreign commerce.

(b) It shall be unlawful for any person to receive, conceal, store, barter, sell, or dispose of any firearm shipped in interstate or foreign commerce in violation of subdivision (a) of this section, knowing such firearm to have been so shipped.

(c) It shall be unlawful for any licensed manufacturer to ship any firearm in interstate or foreign commerce to any individual other than a dealer, or for any such individual to receive any firearm so shipped, unless (1) the laws of the State in which such firearm is made deliverable permit the sale of such firearms, and (2) such individual files with the manufacture a sworn statement similar to that required under subdivision (d) hereof to be filed with the licensed dealer.

(d) It shall be unlawful for any licensed manufacturer to ship in interstate or foreign commerce to any dealer, or for any dealer to receive from such manufacturer any firearm so shipped, unless (1) such dealer is licensed under the provisions of this act, and unless (2) the laws of the State in which such dealer is located permit the sale of such firearms therein, and (3) except where such firearms are solely for purposes of display, the prospective purchaser has, prior to such shipment, filed with such dealer a sworn statement that he is authorized by or under the laws of such State to purchase, possess, and carry such a firearm, and a verified copy of such statement has been filed with such manufacturer.

(e) It shall be unlawful for any manufacturer to ship in interstate or foreign commerce any package or container containing any firearms unless such package or container is clearly and conspicuously marked on the outside cover thereof, or on a label attached thereto, so as to show (1) that a firearm is contained therein, (2) the name of the manufacturer of such firearm, (3) the manufacturer's number or other mark identifying such firearm, (4) the caliber of such firearm, and (5) the name and address of the consignee.

(f) Each licensed manufacturer and licensed dealer shall (1) keep on file all sworn statements or verified copies thereof, as the case may be, filed pursuant to subdivisions (c) and (d) of this section, and (2) file with the Secretary of Commerce, under such rules and regulations as he shall prescribe, records of all firearms shipped, received, or sold under the provisions of this act.

(g) Every common carrier which transports in interstate or foreign commerce any package or container purporting to contain any firearm shall keep a permanent record of all matter marked thereon pursuant to subdivision (e) of this section, which record shall be open to public inspection.

(h) Each firearm other than ammunition shipped in interstate or foreign commerce shall bear in addition to the manufacturer's number or other mark identifying such firearm a number supplied by the Department of Commerce; and the manufacturer shall keep on file at least one bullet fired from each such firearm, properly identified as having been so fired.

(i) The Secretary of Commerce shall divide the United States into districts, each to be designated by a letter or letters of the alphabet and all cartridge bullets shipped in interstate commerce shall have imprinted on the ends thereof fitting into the shells a letter or letters corresponding to the letter or letters indicating the district into which they are shipped.

SEC. 3. (a) Any manufacturer desiring a license to ship firearms in interstate or foreign commerce, or any dealer desiring a license to receive firearms so shipped, shall make application to the Secretary of Commerce who shall by regulation prescribe the information to be contained in such application. Upon the filing of the application the applicant shall pay a fee of $———.

(b) Upon payment of the prescribed fee the Secretary of Commerce shall issue to such applicant a license, which shall entitle the licensee to ship firearms in interstate or foreign commerce, or to receive firearms so shipped, as the case may be, unless and until the license is suspended or revoked in accordance with the provisions of this act; but no license shall be issued to any applicant within 2 years after the revocation in the manner provided in subdivision (c) of this section of a previous license issued to such applicant.

(c) Whenever the Secretary of Commerce determines, after notice and hearing, in accordance with regulations prescribed by him, that any licensee under this section has violated any of the provisions of this act he may by order suspend the license of such offender for a period of not to exceed 90 days, except that if the violation is a flagrant or repeated violation of such provisions the Secretary may by order revoke the license of the offender.

SEC. 4. It shall be unlawful for any person to ship in interstate or foreign commerce, or import, any machine gun, or to receive, conceal, store, barter, sell, or dispose of any machine gun so shipped or imported.

SEC. 5. The provisions of this act shall not apply with respect to the shipment of any firearm or machine gun used, issued, furnished, purchased, or sold by (1) the United States, or any department, independent establishment, or agency thereof; (2) any State, Territory, or possession, or the District of Columbia, or any department, independent establishment, or agency thereof, or any political subdivision thereof; or (3) any authorized officer or agent of the United States, a State, Territory, or possession, or the District of Columbia, or any political subdivision thereof; nor with respect to shipments for repairs or replacement of parts of firearms; nor with respect to shipments for export to any foreign country, in a parcel, package, or container labeled in accordance with the specifications of a foreign purchaser and in accordance with the laws of the foreign country.

SEC. 6. Any person who files a statement pursuant to subdivision (c) or (d) of section 2, knowing such statement to be false, or who violates any provision of sections 2, 3, or 4 of this act shall, upon conviction thereof, be fined not less than $——— nor more than $———, or imprisoned for not less than ——— nor more than ———, or both.

SEC. 7. Special agents of the Division of Investigation of the Department of Justice shall have, in each State, the same powers in executing this law, as the sheriffs and their deputies in such State may have, by law, in executing the laws thereof. The possession of a firearm or machine gun which has been shipped in interstate or foreign commerce without full and complete compliance with the provisions of this act in respect of such firearm or machine gun shall be prima facie evidence of a violation of this act by the person in possession of such firearm or machine gun.

SEC. 8. This act shall take effect ——— days after its enactment.

SEC. 9. The Secretary of Commerce is authorized to prescribe regulations for carrying out the provisions of this act.

SEC. 10. Nothing in sections 1 to 9, inclusive, of this act shall be construed to amend or repeal any provision of the act entitled "An act declaring pistols, revolvers, and other firearms capable of being concealed on the person nonmailable and providing penalty", approved February 8, 1927.

SEC. 11. (a) The first sentence of the act entitled "An act declaring pistols, revolvers, and other firearms capable of being concealed on the person nonmailable and providing penalty", approved February 8, 1927, is amended by inserting immediately before the word "pistols" the words "machine guns, sawed-off shotguns, and."

(b) The second proviso of said act of February 8, 1927, is amended to read as follows: "*And provided further*, That sawed-off shotguns, pistols, revolvers, and other firearms capable of being concealed on the person may be conveyed to manufacturers or dealers licensed under the Federal Firearms Act upon full and complete compliance with the provisions of such act, and may be conveyed to manufacturers and bona fide dealers for repairs and replacement of parts."

SEC. 12. This act may be cited as the Federal Firearms Act.

Mr. ROBINSON of Arkansas. Mr. President, the Senator from New York [Mr. COPELAND] and the other members of the select committee are to be commended for the diligence shown in the study that is being made. It relates to a very difficult and important subject. If public sentiment shall be sufficiently aroused, we will witness the termination of gang rule where it exists in the United States.

Mr. COPELAND. I thank the Senator from Arkansas.

TAXATION OF INTOXICATING LIQUORS—SIGNING OF ENROLLED BILL

On motion of Mr. ROBINSON of Arkansas, it was

Ordered, That the President of the Senate be, and he is hereby, authorized to sign, after the conclusion of the business of the Senate today, the enrolled bill (H.R. 6131) to raise revenue by taxing certain intoxicating liquors, and for other purposes.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business.

REPORTS OF COMMITTEES

The PRESIDING OFFICER. Reports of committees are in order.

Mr. TYDINGS, from the Committee on Territories and Insular Affairs, reported favorably the nomination of Joseph Ralston Hayden, of Michigan, to be Vice Governor of the Philippine Islands, vice John H. Holliday, resigned.

Mr. WALSH, from the Committee on Education and Labor, reported favorably the nomination of Isador Lubin, of the District of Columbia, to be Commissioner of Labor Statistics, Department of Labor, which was placed on the Executive Calendar.

Mr. DILL. Mr. President, the Committee on Interstate Commerce directed me to report to the Senate the nomination of Frank P. Glass, of Alabama, as a member of the United States Board of Mediation. I have learned that Mr. Glass has died since that order was entered. For that reason I will not submit the report, but suggest to the Senator from Alabama that a resolution might be prepared for the purpose of giving the family of the deceased the salary for the months which he has served.

The PRESIDING OFFICER. Are there further reports of committees? If there be none, the calendar is in order.

TREASURY DEPARTMENT

The Chief Clerk read the nomination of Marion Glass Banister, of Virginia, to be Assistant Treasurer.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Byrd Leavell, of Virginia, to be Assistant Register of the Treasury.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Mark A. Skinner to be superintendent of the mint, Denver, Colo.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Bruce B. La Follette to be assayer in the mint, Denver, Colo.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Hugh T. Rippeto to be assayer in charge of the mint, New Orleans, La.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

DEPARTMENT OF STATE—ASSISTANT SECRETARIES

The Chief Clerk read the nomination of R. Walton Moore, of Virginia, to be Assistant Secretary of State.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Francis Bowes Sayre, of Massachusetts, to be Assistant Secretary of State.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

SUMNER WELLES

The Chief Clerk read the name of Sumner Welles, of Maryland, to be Assistant Secretary of State.

Mr. PITTMAN. The senior Senator from Idaho [Mr. BORAH] has requested that that nomination go over until tomorrow, as he desires to be present when it is considered.

The PRESIDING OFFICER. Without objection, the nomination will go over until tomorrow.

AMBASSADOR TO SOVIET UNION—WILLIAM C. BULLITT

The Chief Clerk read the nomination of William Christian Bullitt, of Pennsylvania, to be ambassador extraordinary and plenipotentiary to the Union of Soviet Socialist Republics.

Mr. VANDENBERG. Mr. President, is it the desire to take up this nomination this afternoon, may I inquire?

Mr. PITTMAN. It is; unless the Senator has serious objection to its being taken up this afternoon.

Mr. VANDENBERG. I should like to state that I am entirely willing to proceed, but it will take 10 or 15 minutes of the Senate's time to discuss it.

Mr. PITTMAN. I think, under the circumstances, we had better proceed with the nomination.

Mr. VANDENBERG. Mr. President, I shall deal now with the pending nomination of the new United States Ambassador Extraordinary and Plenipotentiary to the Union of Soviet Socialist Republics. The Senate Committee on Foreign Relations yesterday took two actions, only one of which has been reported in the public press. The unreported action, in my view, was the more important and the more significant. On the one hand, the committee voted, with two dissenting votes, one of which was mine, for reasons hereafter stated, to report to the Senate the nomination of William Christian Bullitt to fill this new ambassadorship. It occurs to me, I might say parenthetically, that it is somewhat ironical to send a "Christian" to Russia in this capacity. The other action taken by the committee was the unanimous adoption of a resolution which I submitted requesting the President, if not incompatible with the public interest, to submit to the committee and the Senate all the papers involved in the agreement which was reached between the President and the representative of the Russian Soviet Union upon which the recognition of the Soviet Government is based and the appointment of this ambassador is predicated. My motion sought the full official information respecting the arrangement which has been entered into governing the contacts and the warrants which are to exist between these two countries.

The only information heretofore available to the Congress upon this subject, the only information available to the Committee on Foreign Relations, has been the casual information carried in the newspapers. It did not seem to me appropriate that in a matter of this long standing and often bitter controversy, and in a matter of this major importance in the opinion of many of the American people, that the Senate and the Foreign Relations Committee should be guided solely by what they had seen in the public prints. Indeed, it would have been most unfortunate if we had rested upon that basis of information because, if that basis of information is to be relied upon, I am wondering what we would say in respect to the publications that have appeared indicating that Moscow has already suggested a repudiation of the warranties that are contained in the agreement between the two countries. I hasten to add that apparently there is no foundation for this gossip of repudiation. I am simply making the point, at the outset, that we had no business to rely in a situation of this character upon

unofficial information obtained solely from the newspapers. I say, with great respect, that it would have been highly appropriate for the President of the United States to have addressed a message to the Senate formally notifying us of his action with respect to the recognition of Russia and submitting to us officially the agreements upon which that recognition is based. The Senate has partnership responsibility with the Executive for our foreign relations, and complete mutual information is at all times desirable. There are some things that cannot be rubber-stamped, no matter what our faith.

Mr. President, these two questions, that of the recognition of the Soviet Government, and that of the confirmation of the ambassador to the Soviet Union, in my view, are philosophically related. I freely consent that a powerful argument can be made, and with entire propriety, that the Congress has no actual jurisdiction whatsoever over the actual act of recognition. I concede that it is exclusively an Executive function and prerogative to recognize foreign governments. But I am unable to escape the conviction, since the recognition of this particular government has been a subject of such long-standing controversy and has been a subject of so many critical State papers under three or four administrations, that there is at last an indirect relationship between these two propositions—the proposition upon the one hand of recognition, which is exclusively an Executive function, the proposition upon the other hand of the confirmation of an ambassador to Russia, which is exclusively a senatorial function. Underneath both there is a common problem and a common responsibility.

Therefore, because of this belief and because of the belief that the entire official record should be a part of the official record of the Committee on Foreign Relations and the Senate before any action be taken in respect to confirmation, I offered the resolution in the committee to which I have adverted. The resolution was adopted. I voted in committee against the confirmation of Mr. William Christian Bullitt, with the statement at the time that I did it pending the arrival of these papers. I voted in protest against any blind action by the Senate in advance of full official information respecting this epochal decision which has reversed the decisions of four previous occupants of the White House.

Mr. President, the State Department very promptly and courteously responded unofficially to the spirit of the resolution by immediately sending to the distinguished chairman of the committee the official printed copies of all of the exchanges between President Roosevelt and Mr. Maxim Litvinoff, the People's Commissar for Foreign Affairs of the Union of Soviet Socialist Republics. I now have this compilation in my hand. It is an official publication identified as Eastern European Series No. 1 of the Department of of State. I understand that the formal report will be subsequently forthcoming. Therefore, so far as I am concerned, I am willing now to proceed upon the theory that we do have the information in reliable and authentic form upon which intelligently to proceed. It is for the purpose of emphasizing the nature of these contacts and these warranties and these solemn agreements that I rise to speak at the moment in respect to the confirmation. In many aspects, the rights and the institutions of American citizens hang upon the integrity of these undertakings. It is my purpose to say that time and events will vindicate the action of the President only in the degree that these engagements do not degenerate into diplomatic "scraps of paper."

Mr. President, we have no right to question the kind of government which exists under any other flag so long as it is a stable government in the accepted sense of that word. Much as I have opposed the recognition of Russia, and I think primarily upon the ground that I believe that no country which outlaws God can rise to an acceptable place in the parliament of nations because any such nation seems destined for spiritual bankruptcy, regardless of what I may have felt respecting the recognition of Russia, my attitude certainly has not been based upon any theory that we have any right to dictate to another people or that we have any right to pass censorship upon the type of government which they elect to choose for themselves. That is none of our legitimate business.

But, Mr. President, that vital rule works both ways. That rule is utterly reciprocal. The reason fundamentally why I have opposed the recognition of Russia is that we, too, have a right to elect our own form of government without any outside interference, and so long as the Russian Government was engaged in subvertive propaganda officially or semiofficially, directed from Moscow in any degree—propaganda aimed at the destruction of our form of government within our own United States—that we had no justification whatsoever in governmental philosophy or ethics or international fair play to accept, on the basis of common partnership and parity in the family of nations, an institution of that obnoxious character.

Therefore the fundamental question, so far as the recognition of Russia is concerned, which has challenged my concern, is this particular question whether or not we have received adequate, dependable, reliable, and enforcible assurances that this sort of imported treason is to cease. Now, let us refer to the official records and see to what extent this result has been accomplished, at least in the letter of the bond.

Mr. President, I want to read the first of the letters addressed to the President of the United States by Mr. Litvinoff. May I say before I read it that I think it is highly important that it should be read, so that no one beyond the seas may have any misconception of the fact that these guaranties are fundamental and primary and continuous so far as our relationships with the Russian Soviet Government are concerned. They are not idle diplomatic gestures. They are hard realities. Because I think it should be a part of our official record before the vote is taken, I read the first of these commitments. It is a letter addressed to the President of the United States by Mr. Litvinoff:

> MY DEAR MR. PRESIDENT: I have the honor to inform you that coincident with the establishment of diplomatic relations between our two Governments it will be the fixed policy of the Government of the Union of Soviet Socialist Republics—
>
> 1. To respect scrupulously the indisputable right of the United States to order its own life within its own jurisdiction in its own way and to refrain from interfering in any manner in the internal affairs of the United States, its Territories, or possessions.

Mr. President, the maintenance of the unqualified integrity of that assurance may make it possible for friendly relations to exist between these two peoples. But if any such promise be made with the tongue in the cheek as these people sometimes have made promises to others, if any such promise be made with any such reservation as sometimes attached to similar promises heretofore, namely, that it is to be honored in its treacherous breach, then there is no chance whatever for a permanently friendly relationship. I think it is worth saying emphatically and in plain language and as an axiom that the continuity of this pledge is just as important as the giving of it in the first instance. Our newly acknowledged friends cannot complain of these frank observations. I am saying even less than previous Presidents and previous Secretaries of State have said when dealing with this same subject.

I continue with the reading of the pledge of the Soviet Government:

> 2. To refrain, and to restrain all persons in Government service, and all organizations of the Government or under its direct or indirect control, including organizations in receipt of any financial assistance from it, from any act overt or covert liable in any way whatsoever to injure the tranquillity, prosperity, order, or security of the whole or any part of the United States, its Territories, or possessions, and, in particular, from any act tending to incite or encourage armed intervention or any agitation or propaganda having as an aim the violation of the territorial integrity of the United States, its Territories, or possessions, or the bringing about by force of a change in the political or social order of the whole or any part of the United States, its Territories, or possessions.

That is an all-inclusive statement. If that statement lives in practice as well as in precept, the future is far less jeopardized than I have feared it would be in these relationships. But, again, the good faith of the pledge is the test of its value; and I think it is worth emphasizing upon this floor,

as we proceed to confirm the first ambassador to the Soviets in more than a decade, that this pledge must be continuous, and must be honored actively and not passively, or the relationship cannot sustain itself. Of course, we must proceed on the theory that good faith will be observed until or unless there shall be subsequent demonstration to the contrary.

But I have not finished. The pledge is even more complete. I quote:

> Not to permit the formation or residence on its territory of any organization or group—

And this is particularly important because of the fact that the Russian propaganda activities which heretofore have been aimed at the heart of America have ordinarily been administered through a collateral Moscow agency.

Continuing the reading:

> Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which makes claim to be the Government of, or makes attempt upon the territorial integrity of, the United States, its Territories or possessions; not to form, subsidize, support, or permit on its territory military organizations or groups having the aim of armed struggle against the United States, its Territories or possessions, and to prevent any recruiting on behalf of such organizations and groups.

Again the warranty on the face of the contract is all-inclusive.

But even this is not all. I continue the reading:

> Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which has as an aim the overthrow or the preparation for the overthrow of, or the bringing about by force of a change in, the political or social order of the whole or any part of the United States, its Territories, or possessions.

Mr. President, it seems to me that if any contract is to be written between Russia and the United States this is about as complete a contract as could be devised to cover the situation which has so disturbed the viewpoint of the United States in respect to Russian propaganda during the past decade.

Mr. SCHALL. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Minnesota.

Mr. SCHALL. Is this man Bullitt, who has been named as Ambassador to Russia, the same Bullitt who, at the outset of this Administration, was maneuvering around in Europe, and claimed that he represented the President of the United States?

I remember that the Senator from Indiana [Mr. ROBINSON] called attention to the matter at the time; and I also remember the leader of the minority, the Senator from Arkansas [Mr. ROBINSON], stating, as I remember, that the President denied that he had anything to do with Bullitt. He denied him thrice before the cock could crow again.

Mr. VANDENBERG. Mr. President, I think this is the same Mr. Bullitt; and I anticipate that the Senator from Indiana [Mr. ROBINSON] will again speak for himself on that subject. At the moment I wish to pursue what I deem to be a far more important phase of this matter; namely, the foundation which has been laid beneath the act of appointment which brings this confirmation to the Senate. A stream can rise no higher than its source, and the important thing at the moment is less the personality of Mr. Bullitt than it is the basis of contractual relationship upon which recognition has been granted, out of which the appointment of the Ambassador comes.

I have read the first of these letters, Mr. President. The letter which I have read is signed by Mr. Maxim Litvinoff, People's Commissar for Foreign Affairs, Union of Soviet Socialistic Republics.

In the committee on yesterday the question was raised whether Mr. Litvinoff had the authority to bind his Government. So far as the committee could determine, the answer to that question is in the affirmative. There appears to be no requirement that Mr. Litvinoff's warranty must return to Moscow for any review or approval. Therefore, I assume that we are entitled to accept this official publication from the State Department as a literal and conclusive fact in respect to the protections which we seek against this subvertive propaganda. I assume it is a closed book.

I want to make it perfectly plain that I am not in the slightest degree fearful of any raid by communism on America. I think Mr. Stalin himself has recently said that communism is not an exportable product. I doubt whether it ever could be successfully exported to the United States. But fear does not need to precede vigilance. I have been raised in the theory that vigilance is the price of liberty. Therefore, it has seemed to me that complete and effective and conclusive defense against the infiltration of America by subversive propaganda was a prerequisite to any relationships of an official nature with Moscow.

It is said truthfully that European governments have received warranties of a somewhat similar nature, assuming to protect them in the past against subvertive Russian propaganda, and that these promises have been broken; but perhaps it is fair to discriminate between the two situations. Apparently, the agreements that were made by some European capitals with Moscow were not made in definite terms. Apparently, the contracts which heretofore have been broken have been broken through a misunderstanding, or at least that plea may be made in defense or in mitigation of those who broke them.

Perhaps it was that particular situation which moved the President of the United States to be scrupulously detailed when he wrote the agreement under which we are to be protected against similar jeopardy and similar outrage. At any rate, I cannot conceive how it would be possible to put into words a more complete protection against the thing which I have believed fundamentally we must be protected against before any official relationships could be appropriately renewed.

May I say, in order to make the record as conclusive as possible, that the letter from Mr. Litvinoff, which I have just read, was acknowledged by President Roosevelt from the White House, under date of November 16, repeating verbatim the pledges and the promises which were made; so that there can be hereafter no equivocation whatsoever, no pleadings of misunderstanding in any circumstance, if these pledges are not kept. I think it is utterly essential, when we proceed for the first time in the Senate of the United States to consider the relationship between these two countries, that it should be said bluntly and without equivocation that the continuity of these pledges in good faith is the price of the continuity of these relationships. We shall not sleep on our rights. Nor have we taken an anesthetic. I commend the Russian commissar for going to the last possible extreme in writing these assurances. I shall commend his Government still more for implementing them with continuous integrity. Here indeed is a situation where the proof of the pudding will be in the eating thereof.

There were other questions involved, Mr. President, between these two Governments, which apparently it was deemed advisable to liquidate in detail. Nothing, for example, could be more important that the sacred guaranty of religious freedom for our nationals in Russia, and the acknowledgment of their civil rights. I shall not take the time of the Senate to read the supplemental exchanges of letters between Mr. Litvinoff and President Roosevelt, other than to say that they cover a number of other controverted problems and in much the same detail and with much the same successful effect so far as the letter of the contracts is concerned. I do feel, however, that the record should be absolutely complete against a day of possible judgment. Therefore I ask, in connection with these observations, that the whole of this official correspondence shall be printed in the RECORD. It is by far the most important part of these proceedings. I shall then follow this exhibit with my final conclusions.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE UNION OF SOVIET SOCIALIST REPUBLICS

EXCHANGE OF CORRESPONDENCE BETWEEN PRESIDENT ROOSEVELT AND PRESIDENT KALININ [1]

THE WHITE HOUSE,
Washington, October 10, 1933.

MY DEAR MR. PRESIDENT: Since the beginning of my administration, I have contemplated the desirability of an effort to end the present abnormal relations between the 125,000,000 people of the United States and the 165,000,000 people of Russia.

It is most regrettable that these great peoples, between whom a happy tradition of friendship existed for more than a century to their mutual advantage, should now be without a practical method of communicating directly with each other.

The difficulties that have created this anomalous situation are serious but not, in my opinion, insoluble; and difficulties between great nations can be removed only by frank, friendly conversations. If you are of similar mind, I should be glad to receive any representatives you may designate to explore with me personally all questions outstanding between our countries.

Participation in such a discussion would, of course, not commit either Nation to any future course of action, but would indicate a sincere desire to reach a satisfactory solution of the problems involved. It is my hope that such conversations might result in good to the people of both our countries.

I am, my dear Mr. President,
Very sincerely yours,

FRANKLIN D. ROOSEVELT.

MR. MIKHAIL KALININ,
President of the All Union Central Executive Committee,
Moscow.

MOSCOW, *October 17, 1933.*

MY DEAR MR. PRESIDENT: I have received your message of October 10.

I have always considered most abnormal and regretable a situation wherein, during the past 16 years, two great Republics—the United States of America and the Union of Soviet Socialist Republics—have lacked the usual methods of communication and have been deprived of the benefits which such communication could give. I am glad to note that you also reached the same conclusion.

There is no doubt that difficulties, present or arising, between two countries, can be solved only when direct relations exist between them; and that, on the other hand, they have no chance for solution in the absence of such relations. I shall take the liberty further to express the opinion that the abnormal situation, to which you correctly refer in your message, has an unfavorable effect not only on the interests of the two states concerned, but also on the general international situation, increasing the element of disquiet, complicating the process of consolidating world peace and encouraging forces tending to disturb that peace.

In accordance with the above, I gladly accept your proposal to send to the United States a representative of the Soviet Government to discuss with you the questions of interest to our countries. The Soviet Government will be represented by Mr. M. M. Litvinoff, People's Commissar for Foreign Affairs, who will come to Washington at a time to be mutually agreed upon.

I am, my dear Mr. President,
Very sincerely yours,

MIKHAIL KALININ.

MR. FRANKLIN D. ROOSEVELT,
President of the United States of America,
Washington.

JOINT COMMUNIQUÉ BY SECRETARY HULL AND MR. LITVINOFF, NOVEMBER 8, 1 P.M. [2]

There was a very friendly private discussion of some outstanding questions involved in the matter of relations between the United States and the Union of Soviet Socialist Republics. The conversation was entirely preliminary and detailed proposals were not discussed. The conversations will be resumed in the office of the Secretary of State this afternoon at 4 o'clock.

JOINT COMMUNIQUÉ BY SECRETARY HULL AND MR. LITVINOFF, NOVEMBER 8, 6 P.M. [2]

The Secretary of State and Mr. Litvinoff continued their conversations this afternoon in the office of the Secretary of State. The conversations will be resumed at 11 o'clock tomorrow morning in the office of the Secretary of State.

LUNCHEON GIVEN BY PRESIDENT ROOSEVELT FOR MR. LITVINOFF [3]

Following is a list of guests attending the luncheon given by the President for Mr. Maxim Litvinoff at the White House on Wednesday, November 8, 1933, at 1 o'clock:

Mr. Litvinoff, Mr. Skvirsky, Mr. Bogdanoff, Mr. Divilkovsky, Mr. Umansky, the Secretary of State, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, Senator Key Pittman, the Honorable Lewis W. Douglas, the Honorable Louis McH. Howe, the Honorable William Phillips, the Honorable Dean G. Acheson, the Honorable R. Walton Moore, the Honorable Jesse H. Jones, the Honorable Henry Morgenthau, Jr., the Honorable William C. Bullitt, Mr. James C. Dunn, Mr. Robert F. Kelley, Capt. Walter N. Vernou, Col. Edwin M. Watson.

LUNCHEON GIVEN BY SECRETARY HULL FOR MR. LITVINOFF [4]

Following is a list of guests attending the luncheon given by the Secretary of State for Mr. Maxim Litvinoff at the Carlton Hotel, on Thursday, November 9, 1933, at 1:15 o'clock.

Mr. Litvinoff, Mr. Skvirsky, Mr. Bogdanoff, Mr. Divilkovsky, Mr. Umansky, Attorney General Homer S. Cummings, Senator James Couzens, Mr. Jesse H. Jones, chairman, Reconstruction Finance Corporation; Mr. Henry Morgenthau Jr., governor, Farm Credit Administration; Mr. William Phillips, Under Secretary of State; Mr. R. Walton Moore, Assistant Secretary of State; Mr. William C. Bullitt, Special Assistant to the Secretary of State; Mr. James Clement Dunn, Chief, Division of Protocol and Conferences, Department of State; Mr. Robert F. Kelley, Chief, Division of Eastern European Affairs, Department of State.

JOINT STATEMENT BY PRESIDENT ROOSEVELT AND MR. LITVINOFF, NOVEMBER 10 [5]

The President and Mr. Litvinoff reviewed the questions between the two countries which had previously been discussed between the Secretary of State and Mr. Litvinoff.

These conversations with the President and with the State Department will continue in normal course.

EXCHANGE OF COMMUNICATIONS BETWEEN PRESIDENT ROOSEVELT AND MR. LITVINOFF, NOVEMBER 16 [6]

THE WHITE HOUSE,
Washington, November 16, 1933.

MY DEAR MR. LITVINOV: I am very happy to inform you that as a result of our conversations the Government of the United States has decided to establish normal diplomatic relations with the Government of the Union of Soviet Socialist Republics and to exchange ambassadors.

I trust that the relations now established between our peoples may forever remain normal and friendly, and that our nations henceforth may cooperate for their mutual benefit and for the preservation of the peace of the world.

I am, my dear Mr. Litvinov,
Very sincerely yours,

FRANKLIN D. ROOSEVELT.

MR. MAXIM M. LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

WASHINGTON, *November 16, 1933.*

MY DEAR MR. PRESIDENT: I am very happy to inform you that the Government of the Union of Soviet Socialist Republics is glad to establish normal diplomatic relations with the Government of the United States and to exchange ambassadors.

I, too, share the hope that the relations now established between our peoples may forever remain normal and friendly, and that our Nations henceforth may cooperate for their mutual benefit and for the preservation of the peace of the world.

I am, my dear Mr. President,
Very sincerely yours,

MAXIM LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

MR. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

WASHINGTON, *November 16, 1933.*

MY DEAR MR. PRESIDENT: I have the honor to inform you that coincident with the establishment of diplomatic relations between our two Governments it will be the fixed policy of the Government of the Union of Soviet Socialist Republics:

1. To respect scrupulously the indisputable right of the United States to order its own life within its own jurisdiction in its own way and to refrain from interfering in any manner in the internal affairs of the United States, its Territories or possessions.

2. To refrain, and to restrain all persons in Government service and all organizations of the Government or under its direct or indirect control, including organizations in receipt of any financial assistance from it, from any act overt or covert liable in any way whatsoever to injure the tranquility, prosperity, order, or security of the whole or any part of the United States, its Territories or possessions, and, in particular, from any act tending to incite or encourage armed intervention, or any agitation or propaganda having as an aim the violation of the Territorial integrity of the United States, its Territories or possessions, or the bringing about by force of a change in the political or social order of the whole or any part of the United States, its Territories or possessions.

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[1] Issued by the White House as a mimeographed press release, Oct. 20, 1933.

[2] Issued by the Department of State as a mimeographed press release, Nov. 8, 1933.

[3] Issued in mimeograph form by the White House, Nov. 8, 1933.

[4] Issued by the Department of State as a mimeographed press release, Nov. 9, 1933.

[5] Issued by the White House as a mimeographed press release, Nov. 10, 1933.

[6] Issued by the White House as a mimeographed press release, Nov. 17, 1933.

3. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which makes claim to be the Government of, or makes attempt upon the Territorial integrity of, the United States, its Territories or possessions; not to form, subsidize, support, or permit on its territory military organizations or groups having the aim of armed struggles against the United States, its Territories or possessions, and to prevent any recruiting on behalf of such organizations and groups.

4. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which has as an aim the overthrow or the preparation for the overthrow of, or the bringing about by force of a change in the political or social order of the whole or any part of the United States, its Territories or possessions.

I am, my dear Mr. President,
Very sincerely yours,

MAXIM LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

Mr. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

THE WHITE HOUSE,
Washington, November 16, 1933.

MY DEAR MR. LITVINOV: I am glad to have received the assurance expressed in your note to me of this date that it will be the fixed policy of the Government of the Union of Soviet Socialist Republics:

1. To respect scrupulously the indisputable right of the United States to order its own life within its own jurisdiction in its own way and to refrain from interfering in any manner in the internal affairs of the United States, its Territories or possessions.

2. To refrain, and to restrain all persons in Government service and all organizations of the Government or under its direct or indirect control, including organizations in receipt of any financial assistance from it, from any act overt or covert liable in any way whatsoever to injure the tranquillity, prosperity, order, or security of the whole or any part of the United States, its Territories or possessions, and, in particular, from any act tending to incite or encourage armed intervention, or any agitation or propaganda having as an aim, the violation of the Territorial integrity of the United States, its Territories or possessions, or the bringing about by force of a change in the political or social order of the whole or any part of the United States, its Territories or possessions.

3. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which makes claim to be the Government of, or makes attempt upon the Territorial integrity of, the United States, its Territories or possessions; not to form, subsidize, support, or permit on its territory military organizations or groups having the aim of armed struggle against the United States, its Territories or possessions, and to prevent any recruiting on behalf of such organizations and groups.

4. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which has as an aim the overthrow or the preparation for the overthrow of, or the bringing about by force of a change in, the political or social order of the whole or any part of the United States, its Territories or possessions.

It will be the fixed policy of the Executive of the United States within the limits of the powers conferred by the Constitution and the laws of the United States to adhere reciprocally to the engagements above expressed.

I am, my dear Mr. Litvinoff,
Very sincerely yours,

FRANKLIN D. ROOSEVELT.

Mr. MAXIM M. LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

THE WHITE HOUSE,
Washington, November 16, 1933.

MY DEAR MR. LITVINOFF: As I have told you in our recent conversations, it is my expectation that after the establishment of normal relations between our two countries many Americans will wish to reside temporarily or permanently within the territory of the Union of Soviet Socialist Republics, and I am deeply concerned that they should enjoy in all respects the same freedom of conscience and religious liberty which they enjoy at home.

As you well know, the Government of the United States, since the foundation of the Republic, has always striven to protect its nationals, at home and abroad, in the free exercise of liberty of conscience and religious worship, and from all disability or persecution on account of their religious faith or worship. And I need scarcely point out that the rights enumerated below are those enjoyed in the United States by all citizens and foreign nationals and by American nationals in all the major countries of the world.

The Government of the United States, therefore, will expect that nationals of the United States of America within the territory of the Union of Soviet Socialist Republics will be allowed to conduct without annoyance or molestation of any kind religious services and rites of a ceremonial nature, including baptismal, confirmation, communion, marriage, and burial rites, in the English language, or in any other language which is customarily used in the practice of the religious faith to which they belong, in churches, houses, or other buildings appropriate for such service, which they will be given the right and opportunity to lease, erect, or maintain in convenient situations.

We will expect that nationals of the United States will have the right to collect from their coreligionists and to receive from abroad voluntary offerings for religious purposes; that they will be entitled without restriction to impart religious instruction to their children, either singly or in groups, or to have such instruction imparted by persons whom they may employ for such purposes; that they will be given and protected in the right to bury their dead according to their religious customs in suitable and convenient places established for that purpose, and given the right and opportunity to lease, lay out, occupy, and maintain such burial grounds subject to reasonable sanitary laws and regulations.

We will expect that religious groups or congregations composed of nationals of the United States of America in the territory of the Union of Soviet Socialist Republics will be given the right to have their spiritual needs ministered to by clergymen, priests, rabbis, or other ecclesiastical functionaries who are nationals of the United States of America, and that such clergymen, priests, rabbis, or other ecclesiastical functionaries will be protected from all disability or persecution and will not be denied entry into the territory of the Soviet Union because of their ecclesiastical status.

I am, my dear Mr. Litvinoff,
Very sincerely yours,

FRANKLIN D. ROOSEVELT.

Mr. MAXIM M. LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

WASHINGTON, *November 16, 1933.*

MY DEAR MR. PRESIDENT: In reply to your letter of November 16, 1933, I have the honor to inform you that the Government of the Union of Soviet Socialist Republics as a fixed policy accords the nationals of the United States within the territory of the Union of Soviet Socialist Republics the following rights referred to by you:

1. The right to "free exercise of liberty of conscience and religious worship" and protection "from all disability or persecution on account of their religious faith or worship."

This right is supported by the following laws and regulations existing in the various Republics of the Union:

"Every person may profess any religion or none. All restrictions of rights connected with the profession of any belief whatsoever, or with the nonprofession of any belief, are annulled (decree of Jan. 23, 1918, art. 3).

"Within the confines of the Soviet Union it is prohibited to issue any local laws or regulations restricting or limiting freedom of conscience, or establishing privileges or preferential rights of any kind based upon the religious profession of any person." (decree of Jan. 23, 1918, art. 2).

2. The right to "conduct without annoyance or molestation of any kind religious services and rites of a ceremonial nature."

This right is supported by the following laws:

"A free performance of religious rites is guaranteed as long as it does not interfere with public order and is not accompanied by interference with the rights of citizens of the Soviet Union. Local authorities possess the right in such cases to adopt all necessary measures to preserve public order and safety. (Decree of Jan. 23, 1918, art. 5.)

"Interference with the performance of religious rites, insofar as they do not endanger public order and are not accompanied by infringements on the rights of others is punishable by compulsory labor for a period up to 6 months. (Criminal Code, art. 127.)"

3. "The right and opportunity to lease, erect, or maintain in convenient situations" churches, houses, or other buildings appropriate for religious purposes.

This right is supported by the following laws and regulations:

"Believers belonging to a religious society with the object of making provision for their requirements in the matter of religion may lease under contract, free of charge, from the subdistrict or district executive committee or from the town soviet, special buildings for the purpose of worship and objects intended exclusively for the purposes of their cult. (Decree of Apr. 8, 1929, art. 10.)

"Furthermore, believers who have formed a religious society or a group of believers may use for religious meetings other buildings which have been placed at their disposal on lease by private persons or by local soviets and executive committees. All rules established for houses of worship are applicable to these buildings. Contracts for the use of such buildings shall be concluded by individual believers who will be held responsible for their execution. In addition, these buildings must comply with the sanitary and technical building regulations. (Decree of Apr. 8, 1929, art. 10.)

"The place of worship and religious property shall be handed over for the use of believers forming a religious society under a contract concluded in the name of the competent district execu-

tive committee or town soviet by the competent administrative department or branch, or directly by the subdistrict executive committee. (Decree of Apr. 8, 1929, art. 15.)

"The construction of new places of worship may take place at the desire of religious societies provided that the usual technical building regulations and the special regulations laid down by the People's Commissariat for Internal Affairs are observed. (Decree of Apr. 8, 1929, art. 45.)"

4. "The right to collect from their coreligionists * * * voluntary offerings for religious purposes."

This right is supported by the following law:

"Members of groups of believers and religious societies may raise subscriptions among themselves and collect voluntary offerings, both in the place of worship itself and outside it, but only amongst the members of the religious association concerned and only for purposes connected with the upkeep of the place of worship and the religious property, for the engagement of ministers of religion and for the expenses of their executive body. Any form of forced contribution in aid of religious associations is punishable under the Criminal Code" (decree of Apr. 8, 1929, art. 54).

5. Right to "impart religious instruction to their children either singly or in groups or to have such instruction imparted by persons whom they may employ for such purpose."

This right is supported by the following law:

"The school is separated from the church. Instruction in religious doctrines is not permitted in any governmental and common schools, nor in private teaching institutions where general subjects are taught. Persons may give or receive religious instruction in a private manner" (decree of Jan. 23, 1918, art. 9).

Furthermore, the Soviet Government is prepared to include in a consular convention to be negotiated immediately following the establishment of relations between our two countries provisions in which nationals of the United States shall be granted rights with reference to freedom of conscience and the free exercise of religion which shall not be less favorable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favored in this respect. In this connection, I have the honor to call to your attention article 9 of the treaty between Germany and the Union of Soviet Socialist Republics, signed at Moscow October 12, 1925, which reads as follows:

"Nationals of each of the contracting parties * * * shall be entitled to hold religious services in churches, houses, or other buildings, rented, according to the laws of the country, in their national language or in any other language which is customary in their religion. They shall be entitled to bury their dead in accordance with their religious practice in burial grounds established and maintained by them with the approval of the competent authorities, so long as they comply with the police regulations of the other party in respect of buildings and public health."

Furthermore, I desire to state that the rights specified in the above paragraphs will be granted to American nationals immediately upon the establishment of relations between our two countries.

Finally, I have the honor to inform you that the Government of the Union of Soviet Socialist Republics, while reserving to itself the right of refusing visas to Americans desiring to enter the Union of Soviet Socialist Republics on personal grounds, does not intend to base such refusals on the fact of such persons having an ecclesiastical status.

I am, my dear Mr. President,
Very sincerely yours,

MAXIM LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

Mr. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

WASHINGTON, *November 16, 1933.*

MY DEAR MR. PRESIDENT: Following our conversations I have the honor to inform you that the Soviet Government is prepared to include in a consular convention to be negotiated immediately following the establishment of relations between our two countries provisions in which nationals of the United States shall be granted rights with reference to legal protection which shall not be less favorable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favored in this respect. Furthermore, I desire to state that such rights will be granted to American nationals immediately upon the establishment of relations between our two countries.

In this connection I have the honor to call to your attention article 11 and the protocol to article 11, of the Agreement Concerning Conditions of Residence and Business and Legal Protection in General concluded between Germany and the Union of Soviet Socialist Republics on October 12, 1925.

"ARTICLE 11

"Each of the contracting parties undertakes to adopt the necessary measures to inform the consul of the other party as soon as possible whenever a national of the country which he represents is arrested in his district.

"The same procedure shall apply if a prisoner is transferred from one place of detention to another.

"FINAL PROTOCOL

(Ad article 11)

"1. The consul shall be notified either by a communication from the person arrested or by the authorities themselves direct. Such communications shall be made within a period not exceeding seven times 24 hours, and in large towns, including capitals of districts, within a period not exceeding three times 24 hours.

"2. In places of detention of all kinds requests made by consular representatives to visit nationals of their country under arrest, or to have them visited by their representatives, shall be granted without delay. The consular representative shall not be entitled to require officials of the courts or prisons to withdraw during his interview with the person under arrest."

I am, my dear Mr. President,
Very sincerely yours,

MAXIM LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

Mr. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

THE WHITE HOUSE,
Washington, November 16, 1933.

MY DEAR MR. LITVINOFF: I thank you for your letter of November 16, 1933, informing me that the Soviet Government is prepared to grant to nationals of the United States rights with reference to legal protection not less favorable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favored in this respect. I have noted the provisions of the treaty and protocol concluded between Germany and the Union of Soviet Socialist Republics on October 12, 1925.

I am glad that nationals of the United States will enjoy the protection afforded by these instruments immediately upon the establishment of relations between our countries and I am fully prepared to negotiate a consular convention covering these subjects as soon as practicable. Let me add that American diplomatic and consular officers in the Soviet Union will be zealous in guarding the rights of American nationals, particularly the right to a fair, public, and speedy trial and the right to be represented by counsel of their choice. We shall expect that the nearest American diplomatic or consular officer shall be notified immediately of any arrest or detention of an American national, and that he shall promptly be afforded the opportunity to communicate and converse with such national.

I am, My dear Mr. Litvinoff,
Very sincerely yours,

FRANKLIN D. ROOSEVELT.

Mr. MAXIM M. LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

In reply to a question of the President in regard to prosecutions for economic espionage, Mr. Litvinoff gave the following explanation:

"The widespread opinion that the dissemination of economic information from the Union of Soviet Socialist Republics is allowed only insofar as this information has been published in newspapers or magazines, is erroneous. The right to obtain economic information is limited in the Union of Soviet Socialist Republics, as in other countries, only in the case of business and production secrets and in the case of the employment of forbidden methods (bribery, theft, fraud, etc.) to obtain such information. The category of business and production secrets naturally includes the official economic plans, insofar as they have not been made public, but not individual reports concerning the production conditions and the general conditions of individual enterprises.

"The Union of Soviet Socialist Republics has also no reason to complicate or hinder the critical examination of its economic organization. It naturally follows from this that everyone has the right to talk about economic matters or to receive information about such matters in the Union, insofar as the information for which he has asked or which has been imparted to him is not such as may not, on the basis of special regulations issued by responsible officials or by the appropriate state enterprises, be made known to outsiders. (This principle applies primarily to information concerning economic trends and tendencies.)"

WASHINGTON, *November 16, 1933.*

MY DEAR MR. PRESIDENT: Following our conversations I have the honor to inform you that the Government of the Union of Soviet Socialist Republics agrees that, preparatory to a final settlement of the claims and counterclaims between the Governments of the Union of Soviet Socialist Republics and the United States of America and the claims of their nationals, the Government of the Union of Soviet Socialist Republics will not take any steps to enforce any decisions of courts or initiate any new litigations for the amounts admitted to be due or that may be found to be due it, as the successor of prior Governments of Russia, or otherwise, from American nationals, including corporations, companies, partnerships, or associations, and also the claim against the United States of the Russian Volunteer Fleet, now in litigation in the United States Court of Claims, and will not object to such amounts being assigned and does hereby release and assign all

such amounts to the Government of the United States, the Government of the Union of Soviet Socialist Republics to be duly notified in each case of any amount realized by the Government of the United States from such release and assignment.

The Government of the Union of Soviet Socialist Republics further agrees, preparatory to the settlement referred to above, not to make any claim with respect to:

(a) Judgments rendered or that may be rendered by American courts insofar as they relate to property, or rights, or interests therein, in which the Union of Soviet Socialist Republics or its nationals may have had or may claim to have an interest; or

(b) Acts done or settlements made by or with the Government of the United States, or public officials in the United States, or its nationals, relating to property, credits, or obligations of any Government of Russia or nationals thereof.

I am, my dear Mr. President,
Very sincerely yours,

MAXIM LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

Mr. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

THE WHITE HOUSE,
Washington, November 16, 1933.

MY DEAR MR. LITVINOFF: I am happy to acknowledge the receipt of your letter of November 16, 1933, in which you state that:

"The Government of the Union of Soviet Socialist Republics agrees that, preparatory to a final settlement of the claims and counter claims between the Governments of the Union of Soviet Socialist Republics and the United States of America and the claims of their nationals, the Government of the Union of Soviet Socialist Republics will not take any steps to enforce any decisions of courts or initiate any new litigations for the amounts admitted to be due or that may be found to be due it, as the successor of prior Governments of Russia, or otherwise, from American nationals, including corporations, companies, partnerships, or associations, and also the claim against the United States of the Russian Volunteer Fleet, now in litigation in the United States Court of Claims, and will not object to such amounts being assigned and does hereby release and assign all such amounts to the Government of the United States, the Government of the Union of Soviet Socialist Republics to be duly notified in each case of any amount realized by the Government of the United States from such release and assignment.

"The Government of the Union of Soviet Socialist Republics further agrees, preparatory to the settlement referred to above, not to make any claim with respect to:

"(a) Judgments rendered or that may be rendered by American courts insofar as they relate to property, or rights, or interests therein, in which the Union of Soviet Socialist Republics or its nationals may have had or may claim to have an interest; or

"(b) Acts done or settlements made by or with the Government of the United States, or public officials in the United States, or its nationals, relating to property, credits, or obligations of any Government of Russia or nationals thereof."

I am glad to have these undertakings by your Government and I shall be pleased to notfy your Government in each case of any amount realized by the Government of the United States from the release and assignment to it of the amounts admitted to be due, or that may be found to be due, the Government of the Union of Soviet Socialist Republics, and of the amount that may be found to be due on the claim of the Russian Volunteer Fleet.

I am, my dear Mr. Litvinov,
Very sincerely yours,

FRANKLIN D. ROOSEVELT.

Mr. MAXIM M. LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

WASHINGTON, *November 16, 1933.*

MY DEAR MR. PRESIDENT: I have the honor to inform you that, following our conversations and following my examination of certain documents of the years 1918 to 1921 relating to the attitude of the American Government toward the expedition into Siberia, the operations there of foreign military forces and the inviolability of the territory of the Union of Soviet Socialist Republics, the Government of the Union of Soviet Socialist Republics agrees that it will waive any and all claims of whatsoever character arising out of activities of military forces of the United States in Siberia, or assistance to military forces in Siberia subsequent to January 1, 1918, and that such claims shall be regarded as finally settled and disposed of by this agreement.

I am, my dear Mr. President,
Very sincerely yours,

MAXIM LITVINOFF,
People's Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

Mr. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

THE WHITE HOUSE,
Washington, November 16, 1933.

JOINT STATEMENT BY THE PRESIDENT AND MR. LITVINOFF

In addition to the agreements which we have signed today, there has taken place an exchange of views with regard to methods of settling all outstanding questions of indebtedness and claims that permits us to hope for a speedy and satisfactory solution of these questions which both our Governments desire to have out of the way as soon as possible.

Mr. Litvinoff will remain in Washington for several days for further discussions.

EXCHANGE OF CORRESPONDENCE BETWEEN ACTING SECRETARY PHILLIPS AND THE RUSSIAN FINANCIAL ATTACHÉ IN THE UNITED STATES; TELEGRAMS ADDRESSED BY ACTING SECRETARY PHILLIPS TO RUSSIAN CONSULAR OFFICER IN THE UNITED STATES [7]

NEW YORK, *October 21, 1933.*

DEAR MR. KELLEY: The correspondence between the President of the United States and Mr. Kalinin, President of the All Union Central Executive Committee, leads me to believe that conditions may arise in the near future, where no further useful purpose can be served by my continuing to exercise the duties with which I was vested under the exchange of notes between the Russian Ambassador and the Secretary of State of April 28 and 29, 1922.[8]

In consequence of this belief, may I not request that my present status be discontinued at the earliest convenience of the Department of State. As to certain matters of a continuing character requiring further attention, I would respectfully suggest that after the date of the discontinuance of my status they be considered as being temporarily taken under the care of the United States Government.

In terminating my official activities, I deem it a paramount duty to express my deep appreciation for the unfailing consideration with which I have been treated at the Department of State. Permit me also to say that if a moral satisfaction has been derived by me during the trying years of my service, it has been due mainly to the cognizance that I have enjoyed the confidence of the Government of the United States.

Very sincerely yours,

S. UGHET,
Russian Financial Attaché.

Hon. ROBERT F. KELLEY,
Chief, Division of Eastern European Affairs,
Department of State,
Washington, D.C.

DEPARTMENT OF STATE,
November 16, 1933.

MY DEAR MR. UGHET: I desire to refer to your letter of October 21, 1933, in which you expressed the belief that conditions would arise in the near future when no further useful purpose would be served by your continuing to exercise the duties with which you were charged under the exchange of notes between the Russian Ambassador and the Secretary of State of April 28–29, 1922, and requested that your present status be discontinued at the earliest convenience of the Department of State.

In view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, I have to inform you that upon this date the Government of the United States ceases to recognize you as Russian Financial Attaché.

The Department is deeply appreciative of the able manner in which you have discharged the duties which devolved upon you under the exchange of notes referred to above and of the friendly spirit with which you have for so many years cooperated with this Government.

I should like to take the occasion to extend to you personally my cordial good wishes for your future happiness and success.

Very sincerely yours,

WILLIAM PHILLIPS,
Acting Secretary of State.

Mr. SERGE UGHET,
17 East Forty-fifth Street, New York City.

[Telegram]

DEPARTMENT OF STATE,
November 17, 1933.

Mr. JOSEPH A. CONRY,
Russian Consul, Boston, Mass.:

In view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, you are informed that the exequatur issued on September 20, 1912, recognizing you as consul of Russia at Boston, is revoked, effective as of November 16, 1933, and that consequently your status as Russian consul is considered terminated as of that date.

WILLIAM PHILLIPS,
Acting Secretary.

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[7] Issued by the Department of State as a mimeographed press release, Nov. 17, 1933.

[8] Issued by the Department of State as a mimeographed press release, June 4, 1922. See Appendix, p. 21.

[Telegram]

DEPARTMENT OF STATE,
November 17, 1933.

Mr. ANTOINE VOLKOFF,
Russian Consul General, Chicago, Ill.:

In view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, you are informed that the exequatur issued on June 24, 1914, recognizing you as Consul General of Russia at Chicago, is revoked, effective as of November 16, 1933, and that consequently your status as Russian consul general is considered terminated as of that date.

WILLIAM PHILLIPS,
Acting Secretary.

[Telegram]

DEPARTMENT OF STATE,
November 17, 1933.

Mr. NIKOLAI BOGOYAVLENSKY,
Russian Consul General, Seattle, Wash.:

In view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, you are informed that the exequatur issued on May 26, 1915, recognizing you as consul general of Russia at Seattle, is revoked, effective as of November 16, 1933, and that consequently your status as Russian consul general is considered terminated as of that date.

WILLIAM PHILLIPS,
Acting Secretary.

STATEMENT BY SECRETARY HULL, NOVEMBER 18 [9]

The Secretary of State, on board the steamship *American Legion* at sea, telegraphed the following statement to the Department of State on November 18:

"I am gratified to learn that the peoples of the United States and Russia, after a frank exchange of views at Washington, have resumed normal relations and that the preliminary basis agreed upon is substantially that indicated before I left Washington. The badly confused world situation will be improved by this natural and timely step which is proof of the marked progress possible in all international dealings when there exists such splendid initiative as that displayed by the President and the mutual disposition and will to approach serious world problems in a friendly and fearless spirit."

CIRCULAR INSTRUCTIONS TO ALL AMERICAN DIPLOMATIC MISSIONS, NOVEMBER 17 [10]

The Acting Secretary of State, Mr. William Phillips, on November 17, sent the following circular to all diplomatic missions:

"Following an exchange of communications between the President and the Commissar for Foreign Affairs of the Union of Soviet Socialist Republics, covering outstanding questions in the relations between the United States and the Soviet Union and the arrival at an understanding with respect to methods of settling the question of debts and claims, the President communicated to Mr. Litvinoff in a note dated November 16, 1933, the decision of the Government of the United States to establish diplomatic relations with the Soviet Union.

"In view of the recognition thus accorded by the Government of the United States to the Union of Soviet Socialist Republics, you should enter into cordial official and social relations with your Soviet colleague in accordance with the established practice of the post at which you are stationed.

"Soviet passports should be treated henceforth as passports of other recognized governments.

"Inform consuls."

STATEMENT BY ACTING SECRETARY PHILLIPS, NOVEMBER 22 [11]

In accordance with the joint statement by the President and Mr. Litvinoff of November 16, 1933, further discussions have taken place between Mr. Litvinoff and officials of the Department of State and the Treasury Department. Due to the intricacy of the questions to be explored, it has been impossible to reach definite conclusions before the departure of Mr. Litvinoff. The discussions will be actively continued by officials of both Governments. The conversations which have thus far taken place have shown a desire on the part of both Governments to reach a speedy solution of these questions.

EXCHANGE OF CORRESPONDENCE BETWEEN PRESIDENT ROOSEVELT AND MR. LITVINOFF, NOVEMBER 22 AND 23 [12]

WASHINGTON, *November 22, 1933.*

MY DEAR MR. PRESIDENT: On leaving the United States I feel it a great pleasure respectfully to convey to you my feelings of high esteem as well as gratitude for the many tokens of attention and friendship you have been good enough to show me during my stay in Washington.

I also wish hereby to thank the whole Executive and its various organs for their courtesies and cares.

I avail myself of this opportunity to express once more my firm conviction that the official linking of our two countries by the exchange of notes between you, Mr. President, and myself will be of great benefit to our two countries and will also be conducive to the strengthening and preservation of peace between nations toward which our countries are sincerely striving. I believe that their joint efforts will add a creative factor in international affairs which will be beneficial to mankind.

Believe me to be, my dear Mr. President, with the best wishes for the well being of yourself, your family and of your great country,

Yours very sincerely,

MAXIM LITVINOFF,
Peoples' Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

Mr. FRANKLIN D. ROOSEVELT,
President of the United States of America,
The White House.

WARM SPRINGS, GA.,
November 23, 1933.

MY DEAR MR. LITVINOFF: I thank you for your most courteous letter of November 22, 1933. It has been a great personal pleasure to me to meet you and I trust that some day I shall again have the pleasure of welcoming you in America. On your return to your country I hope that you will convey to President Kalinin my greetings and best wishes.

I am profoundly gratified that our conversations should have resulted in the restoration of normal relations between our peoples and I trust that these relations will grow closer and more intimate with each passing year. The cooperation of our Governments in the great work of preserving peace should be the cornerstone of an enduring friendship.

I am sorry that owing to my absence from Washington I am unable in person to say good-bye to you and to wish you a safe and pleasant journey; but I assure you that you carry with you my warmest personal regards.

Yours very sincerely,

FRANKLIN D. ROOSEVELT.

Mr. MAXIM M. LITVINOFF,
Peoples' Commissar for Foreign Affairs,
Union of Soviet Socialist Republics.

APPENDIX

EXCHANGE OF CORRESPONDENCE BETWEEN SECRETARY HUGHES AND MR. BAKHMETEFF, APRIL 28 AND 29, 1922 [13]

RUSSIAN EMBASSY,
Washington, April 28, 1922.

MY DEAR MR. SECRETARY: In view of recent events I think it advisable to bring forward once more the subject of my position as the representative of Russia in the United States.

Received at Washington in July 1917 as Ambassador of the first democratic government of Russia, I have remained at my post up to the present time in order to serve and protect Russian national interests and to facilitate, in cooperation with the treasury and state departments, the liquidation and final settlement of a large volume of commercial business for which the Government of Russia stood obligated, partly through my agency, to American business concerns. I am happy to believe that American as well as Russian interests have been served thereby.

The work of liquidation has now been brought to a practical close. At the same time my status as Ambassador has been made the subject of renewed discussion. I am led to question whether my continuance, as Ambassador of Russia, will longer serve the best interests of my country and the convenience of the United States Government. I am prepared if the United States Government so desires, to retire and terminate my official functions.

On account of personal matters I have planned to sail from this country within the near future. It would be necessary to wind up my affairs and to arrange for the custody of the Russian property for which I am responsible. This work could be completed about the 30th of June, which date could be regarded as the date on which my retirement from official duties would take effect.

In the event of my retirement I suggested that Mr. Serge Ughet, financial attaché of the Embassy, be recognized as custodian of the properties in question and as the agent through whom pending business can be transacted and terminated.

In assuring you of my deep appreciation of the personal consideration I have always enjoyed at the hands of the State Department, and other Departments of the American Government, I desire to express also my gratitude for the good will and consideration with which the United States has treated my country. America was first to welcome the advent of democracy in Russia and to recognize the Provisional Government. Since then and throughout Russia's great trial the United States has evidenced deep and sympathetic understanding of Russia's process of transformation and has conserved unbroken faith in the regeneration and happy future of the Russian people. The United States has lent friendly effort in preserving for the Russian people the integrity of their national patrimony and in safeguarding their economic freedom. Finally America has generously come to the relief of suffering and saved millions of Russians from starvation.

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[9] Issued by the Department of State as a mimeographed press release, Nov. 18, 1933.

[10] Issued by the Department of State as a mimeographed press release, Nov. 18, 1933.

[11] Issued by the Department of State as a mimeographed press release, Nov. 22, 1933.

[12] Issued by the White House as a mimeographed press release, Nov. 24, 1933.

[13] Issued by the Department of State as a mimeographed press release, June 4, 1922.

For this assistance and support in the hour of distress Russia will conserve eternal gratitude.

I avail myself of the opportunity to express to you, my dear Mr. Secretary, the renewed assurances of my high esteem.

B. BAKHMETEFF.

The honorable the SECRETARY OF STATE,
Department of State.

DEPARTMENT OF STATE,
Washington, April 29, 1922.

MY DEAR MR. AMBASSADOR: I have received your letter of April 28, 1922, in which you bring forward the question of your status as Ambassador in the United States and suggest that it may be appropriate to have this terminate in the near future, inasmuch as the liquidation and final settlement of the business of the Russian Government in the United States for which you were responsible is now practically completed, and as your continuance as Ambassador under the existing circumstances may give rise to misunderstanding.

I believe that a change in the present situation is desirable and I am glad to be able to concur in your suggestions as to how this may best be brought about.

You will continue to be recognized as Ambassador until June 30 next. After this date the custody of the property of the Russian Government in this country for which you have been responsible will be considered to vest in Mr. Serge Ughet, the Financial Attaché of the Embassy. Mr. Ughet's diplomatic status with this Government will not be altered by the termination of your duties and he will continue to enjoy the usual diplomatic privileges and immunities.

With assurance of my high esteem and appreciating the friendly spirit in which you have dealt with all matters of interest to this Government, I am, my dear Mr. Bakhmeteff,

Very sincerely yours,

CHARLES E. HUGHES.

His Excellency Mr. BORIS BAKHMETEFF,
Ambassador of Russia.

Mr. VANDENBERG. Mr. President, my conclusions must be obvious from what I have already said. I concede that the recognition of Russia is exclusively an Executive function and prerogative, and we cannot pass upon it even if we would. The President has acted in his own right and the decision is beyond our recall. That question is not before us. To be sure, we could decline the confirmation of this Ambassador, and then we could decline the confirmation of his successor if such were our wish; but this would not affect the fact of recognition, and we would be in the anomalous position of not having a representative of our own to guard our interests in Moscow but of having a representative of Moscow in the United States. So that even from my viewpoint, were I continuingly suspicious as I have been heretofore, certainly there could be nothing gained by an absence of our representation over there while they have complete representation over here. That would be even worse.

Therefore it seems to me, in the sheer logic of the case as I argue it out to myself and to the Senate, that the act of recognition is complete. It is not a matter upon which the Senate can pass. If the Senate were passing upon that, I am not clear that even now, in the face of these warranties, I would be satisfied to vote in the affirmative. But that thing is done; and on the basis of the official record which is now available to the Senate officially for the first time, it is my conclusion that the best possible protection that can be put into the words of a contract has been written into this agreement between the President and the representative of the Russian Republic. But I should have declined to proceed in the absence of these all-controlling exhibits.

The only remaining question which confronts us is whether Mr. Bullitt is qualified for the position.

I confess that he is still somewhat of a mystery man to me, in the language of the Senators from Indiana and Minnesota. I confess that I still find him about as mysterious as the distinguished Senator from Arkansas, the Democratic leader, himself found him in his speech last February. Nevertheless, in fairness, I must state that I was very much impressed with his presence before the committee. He appeared to have a complete grasp of his problem. He appears to be a very able man. At any rate, he is the chosen representative of the President of the United States, and I find no adequate reasons submitted to the committee for opposing this particular evidence of the President's judgment.

My conclusion is, then, Mr. President, since the official record is now available, and is now part of this consideration by the Senate of these new Russian-American relationships, my conclusion is that as much has been done as could possibly be done to protect us against bad faith and against the jeopardies which heretofore have been feared not only by a majority of Senators but by a majority of the American people.

I reserve my judgment as to the final outcome of the new contact, because everything depends upon the continuity of good faith with which these guaranties are sustained, but in the face of the situation which this develops I shall not oppose the confirmation. It would serve no purpose except to disarm us over there. It would not close the door to their agents over here.

Having thus sounded the warnings which it has seemed to me the situation requires, and having critically surveyed the record, I conclude by saying that since we now are to deal with each other in international relations, we should both seek to deserve the other's confidence. Regardless of my personal attitudes toward this amazing and gigantic Communist adventure in the Old World, I share and express the hope of the President that " the relations now established may forever remain normal and friendly and that our nations henceforth may cooperate for their mutual benefit and for the preservation of the peace of the world."

Mr. ROBINSON of Indiana obtained the floor.

Mr. PITTMAN. Mr. President, if the Senator will yield for just a moment while I make an explanation with regard to a subject brought out by the Senator from Michigan, I would like to say that the Senator from Michigan has referred to a request for all the correspondence in this matter. I immediately communicated with the Acting Secretary of State over the telephone. He assured me, as we were assured by Mr. Bullitt, that the entire correspondence was covered in this bulletin before us, and that he would immediately send it up here, and that he would later certify to us that that was all. I expect that probably there is in my office now a certificate to that effect.

Mr. VANDENBERG. Mr. President, will the Senator from Nevada, the able Chairman of the Committee on Foreign Relations, permit me to ask him whether he does not think it is highly useful that the basis of this contact should be thus in the official records of the Senate and of the Government, so that there can be no question whatever as to what impulses have moved us to surrender our prejudices and consent to this act?

Mr. PITTMAN. I am in entire accord with that, but I think that the Senator has made such a clear analysis of not only the motives that move him in this matter but undoubtedly those which moved the President in the matter, and will actuate me in my vote here, that it is wholly unnecessary for me to go further in the matter. I will say, however, that in the haste to put the matter into the possession of the Senator from Michigan and the Senator from Indiana I asked the Secretary to send the matters up immediately. I have requested, further, that for the permanent records of the committee and of the Senate these matters be certified under seal, simply for future information.

Mr. ROBINSON of Indiana. Mr. President, I have no desire at all to delay action on this question, but this affords the only opportunity one may have in this body to register a protest against the recognition of Russia.

It has been said that recognition is a Presidential function, that the President has acted in the matter, and that it is an accomplished fact. That is probably true. The Senate perhaps has no voice in the matter, nor, unfortunately, have the American people any voice in the matter. But I think it is well at this time, purely for emphasis, if for no other reason, to suggest some of the dangers we now encounter in recognizing the soviets.

I shall oppose the confirmation of Mr. Bullitt for two reasons: First in order to express my protest and opposition against Russian recognition in any form; and, second, because in my own mind, after the most deliberate consideration, I am convinced that Mr. Bullitt is not the man to act as our Ambassador over there.

The chief reason advanced for recognition of Russia is that it will give additional trade advantages which we do

not now possess. I am frank to say that I do not have much confidence in that view. I am unable to get excited about foreign markets. In normal times the American market consumes 93 to 95 per cent of all American production. The best year we have ever had, so far as world trade is concerned, was 1928, and in that year less than 6½ per cent of all American production was sold abroad. Therefore the problem for us is to restore the American market; and when we restore the American market, we will restore American prosperity, and not before. To restore the American market we must take the people off the streets who are now looking for jobs, with none to be found, and give them permanent employment, so that they can purchase American goods.

Now it is proposed to lend to Russia approximately a half billion dollars. I have no official sanction for that statement, but it has been widely published that a large amount of credit would now be given to the Russians with which to buy our goods. The experience of all other countries has been that the Russians sold far more of their commodities in the market of the country recognizing Russia than they were able to sell to Russia. Russia now owes us some $700,000,000, which remains due and unpaid. If we lend them now a half billion dollars, or any sum, the chances are it will never be repaid, judging the future by the past, and then Russia will have both the goods and the money, and we will be holding the bag. All the goods they send to us, in any event, will just go that much further toward demoralizing the already demoralized American market and will result in throwing thousands of additional workers in this country out of employment. Therefore I fail to see where there are any trade advantages to be gained. Italy tried it and, according to an Associated Press dispatch which I quoted here once before, very briefly, published in the Washington Star:

> Italy will call a halt on trade with the Soviets after 2 years. Her experiences with that country have been unhappy. Italy paid in cash, while Russia paid in credit, running from 9 to 52 months. Russia got the lion's share of the trade, and thereby chalked up a balance heavily unfavorable to Italy.

The dispatch adds:

> Russia got the lion's share of the trade and Italy is left holding the bag with a half billion lire in promissory notes. Other countries have had similar experiences.

Mr. President, 1928 was not only our best year so far as world trade was concerned, but it was the best year of all other countries of the world. In that year, for instance, the total amount of world trade aggregated $68,000,000,000. Last year the total world trade amounted to only $28,000,000,000, a reduction of $40,000,000,000 since 1928.

I grant that perhaps some of that might be accounted for by the depression, but most of it is accounted for by this fact—that other nations are becoming more self-contained than ever before; and today, while other nations are increasing tariffs and raising high embargoes against foreign goods coming in to disturb their own markets, this country, after the idea largely has been abandoned by the rest of the world, plunges further into internationalism than ever before. In other words, world trade has been largely reduced in these latter years. Each nation is becoming more independent and is trying to preserve its own markets. The United States, on the other hand, now seems to become more international-minded than ever before, and opens up her markets to the rest of the world when the rest of the world close their markets to us. That policy will never assist in bringing prosperity to this country. Mr. President, I shall say no more on that phase of the question.

There is a very grave matter involved here, however, one that I am very reluctant to discuss, but which I think should be mentioned. If the administration were bound to recognize Russia at some time or another, it seems to me it has chosen the worst time in all the world to bring about that recognition. Everyone sitting here today knows the delicate situation in the Far East. We have vast possessions out there, and God knows the American people want no war with any country.

The Japanese question is always dangerous, and I warn Senators here today that it was never more dangerous than at the present moment. I need not suggest to Members of this body that America is not prepared for war with any country; certainly not with a country 9,000 miles from our shores, with a navy better at the moment than ours, and with our possessions lying all around the doorstep of that powerful country. We are not prepared to finance a war with a Budget of over $7,000,000,000 facing us, and a bonded indebtedness within the next year or so of approximately $32,000,000,000—more than $5,000,000,000 higher than the peak of the war-time indebtedness.

Everybody knows how sensitive are the Japanese people. I have been amazed, therefore, Mr. President, that any gesture would be made that might offend them in the slightest degree.

Out there are the Philippines, with a problem unsettled by us, which will require years in the settlement. A vast empire that archipelago represents in itself. Seven thousand islands and a garrison of 6,000 men—not one man for each island. Under the Washington Conference treaty we are not permitted to fortify anything that we have there. An easy prey to an oriental country or power.

There is Guam, but a few hundred miles away, looking to us for protection, and a possession of this country.

There is our farthest outpost in the Pacific, Pearl Harbor, in the Hawaiian Islands, 2,100 miles west of San Francisco.

And there is Alaska, with its wealth of material resources, thoroughly undeveloped, and fewer than 58,000 people living there—about half native and half American. I point out to Senators that the little island of Attu, westernmost of the Aleutian chain, lies less than 800 miles from Japan and more than 2,800 miles from the nearest continental United States port of Seattle. The Japanese are thoroughly familiar with the great circle route, which they use constantly going back and forth from Seattle to Yokohama, the seaport of Tokyo, traversing Alaskan waters constantly, their naval officers understanding thoroughly all the problems involved in those waters that are but poorly charted, while our Navy has spent little time up there.

Newspapers are on the streets this afternoon quoting high Japanese authorities with the statement they are now preparing for war against the United States because of the Russian question.

I am perfectly willing to concede that it is within the discretion of the President to do as he chooses with executive authority, but I am still unwilling to say that the Senate of the United States has no responsibility in the matter in protecting the rights of the American people. I have a notion that this is one of the gravest responsibilities that ever confronted the Senate. Members of this body, have a care!

I recognize that one may easily be charged with being an alarmist, but we have enough trouble on our hands here with the domestic situation without becoming involved in foreign affairs, additional foreign entanglements, possible foreign alliances, and possible foreign wars, which we should avoid as far as possible.

I wish to point out also that we have an Asiatic station out there. Vessels of the American fleet make their summer headquarters at Shanghai and their winter quarters at Manila—an easy prey for a powerful country in the Orient at any moment.

Therefore, Mr. President, I think for this very grave reason Russian recognition is a terrific mistake, filled with dire possibilities, for the American people that none of us like to contemplate—indeed we scarcely dare contemplate. I therefore wish to register my opposition against recognition, even though I stand alone.

There is another reason, Mr. President. I shall not explore it at length. It has all been gone over time and again on the floor of the Senate. I have reference, of course, to the fact that the home as an institution, and in which the American people believe, has been destroyed over there. They have destroyed the right to worship God according to the dictates of one's own conscience over there; and if one were to concede that they have the right to do as they please

in their own country, and order their domestic affairs as they see fit, the fact remains that they have no right to foist their ideas and their philosophy on this country. That I think, within the minds of everybody here, is precisely what they have been trying to do throughout the years and will continue trying to do with their subversive propaganda.

Another reason is that mentioned by the very able Senator from Michigan: The fact that communistic propaganda is wide-spread in this country, emanating from Moscow; and no matter what promises they may make, Mr. President, the fact remains that they have not kept their word with any country during the past 10 years.

The experiences of Great Britain, and of France, and of Italy, and of China, and Japan, and of the United States—all are in the same direction. They do not keep their word. Indeed within the last year one of their most powerful leaders has made the statement that they reserve the right to repudiate their word whenever it suits them or their interests to do so. "Sign anything", they say, in effect, "in order to get advantages for us, but let it be understood that we will repudiate our word and our signature whenever we see fit to do so." That is substantially the Russian position and the position of their leaders today in their international dealings with other countries.

Before I conclude on this phase of the subject, let me say that no one is deceived on this proposition. The Third International and the Soviet system are one and the same. the Third International has its headquarters in Moscow. It is financed by the Moscow Government, and it will continue its propaganda against this country and its institutions in the future just indeed as it has done in the past. So I am convinced in my own mind that Russian recognition is utterly inimical to the best interests of the American people.

I proceed now, Mr. President, to the second reason for my objection to this confirmation. I want to mention Mr. Bullitt. Mr. William C. Bullitt has been nominated by the President to be our first Ambassador to Russia under the new regime. I have no personal animosity against Mr. Bullitt. Let that be understood clearly. I have but the slightest acquaintance with him. So that anything I say with reference to Mr. Bullitt is said in an impersonal sense. I am just standing on the record he has made to date.

All of us are familiar with his perambulations over Europe within the last 12 months, back and forth from capital to capital, whispering to this prime minister here and to that cabinet member there, from one country to the other, proposing reductions in the foreign debts due this country and other matters that have leaked out. On this floor on February 2 last, just a few months ago, I quoted from a Universal Service cable, which I read now because it has a direct bearing on this man's qualifications:

BERLIN, February 1.—William C. Bullitt, America's self-described secret emissary—

This was more than a month before the change in the administration here. Most of us thought that Herbert Hoover was still President of the United States at that time; yet Mr. Bullitt, representing no one except the incoming administration if his intimations are to be believed, though that was denied by the then President-elect, was going about Europe just the same apparently in an official capacity.

William C. Bullitt, America's self-described secret emissary, paid calls in German official quarters here Monday and then left for Vienna, it was learned today.

Covering his tracks under an assumed name, Bullitt came from London and Paris, where he talked with Prime Minister MacDonald and French Premier Paul-Boncour.

In Berlin he called on Foreign Minister Von Neurath and the chief of the American division in the German Foreign Office.

London and Paris dispatches state Bullitt described himself in those capitals as a representative of President-elect Roosevelt, despite Roosevelt's denial Bullitt or anyone else was representing him.

Bullitt registered in Berlin under another name and asked that his presence be kept secret. He expressed himself bitterly over what he termed the London "indiscretions" which exposed his mission.

Mr. President, a man who goes around in disguise under an assumed name, dealing with various governments abroad with no official credentials himself, certainly is reflecting no credit on this country. The amazing thing to me is that he ever became identified with the State Department, and so soon after Mr. Roosevelt's inauguration.

Under a Paris date line of January 27, 1933, is a story reading as follows:

Premier Paul-Boncour tonight reluctantly admitted he has discussed the Franco-American war-debt situation with William C. Bullitt, America's self-described secret emissary.

He declined to discuss the report that Bullitt had left him confidently expecting a Washington invitation within 15 days to join in debt negotiations.

I do not know that Mr. Bullitt knew what he was talking about over there 2 months, or nearly so, before President Roosevelt came into office, but we all do know as a matter of common knowledge that the invitations were sent out to foreign governments whose representatives came here to discuss the debts. We are all aware of the fact, too, that no sooner had the new administration come into office than this same Mr. Bullitt, who had been traveling around over Europe in disguise and under an assumed name, was given one of the principal offices in the State Department. Then came the Russian negotiations, and now, I think to the surprise of the American people but not to the surprise of some of us who had followed developments rather closely, he becomes the first Ambassador to Russia under the new administration.

Mr. PITTMAN. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Nevada?

Mr. ROBINSON of Indiana. I yield.

Mr. PITTMAN. I am not interested in the newspaper articles, but I think possibly the Senator has made an inaccurate statement in this respect. None of the nations which came here for the informal conference were invited to discuss war debts according to the official invitation. The invitations were to come and discuss preparations looking to the agenda of the World Economic Conference. I was unofficially invited to all of the conferences that took place. There was once or twice some effort on the part of representatives of certain governments to raise the debt question, but they were told instantly that matter was not on the agenda and was not subject to discussion.

Mr. ROBINSON of Indiana. I thank the Senator for the suggestion. The Senator knows much better than I what took place, because I was not present. I think the general impression was that, among other things, the debts were to be discussed. I am in no position to say that they were discussed to the exclusion of all else, and doubtless what the Senator said is the correct version of the matter. In any event, I think enough indictments can be urged against Mr. Bullitt, because of the record he has made during the past year, to show that he ought not to be named as Ambassador to Russia in these trying times.

Within the last few days most of us have seen newspaper reports—I do not know that they are true, but I have read some of them, as I assume other Senators have—to the effect that Mr. Bullitt has very recently said that Russia was prepared for war with Japan, that Russia was not afraid of Japan, or something to that effect. It is always dangerous to attempt to quote the language of someone else without the actual statement. I am trying to state substantially what he was reported to have said. I think that is a grave indiscretion, if it be true that he made any such statement. I do not think he ought to discuss the Russian-Japanese matter in any sense of the word. It is delicate enough as it is. Nor do I think we should be drawn into it in any manner.

Mr. President, that is all I have to say on the subject. I want to make it clear that I am opposed to Russian recognition in any form. While I have no better means of knowing how the people feel about it than any other Senator, it is my opinion that the great majority of the American people are opposed to Russian recognition; that if a vote

were to be taken on it throughout the country it would result overwhelmingly against any such recognition. Now that recognition has been accorded, however, by the Chief Executive, it remains for this body to express itself in the only manner it can; that is by a vote on the confirmation of Mr. Bullitt.

Because I am opposed to Russian recognition, in the first place, for the reasons stated, and for others I shall not take the time to mention, and because I am opposed to Mr. Bullitt because of the record he has made during the past year, believing that he is not fitted for the position, I shall vote against his confirmation if a yea-and-nay vote is taken. If no yea-and-nay vote is taken, I adopt this means of registering my protest.

Mr. KING. Mr. President, I apologize to the Senate for detaining them at this late hour. I do so only because on a number of occasions, both in the Senate and elsewhere, I have opposed the recognition of the Soviet Government. The policy of our Government toward Russia which was announced by President Wilson met my approval. This policy was stated in an able state paper during the closing months of Mr. Wilson's administration. That policy was followed by Presidents Harding, Coolidge, and Hoover. Mr. Justice Hughes, when Secretary of State, in a notable statement, supported and emphasized it, and elaborated the reasons upon which it rested.

I visited Russia a number of years ago, where I spent several months and traveled between eight and nine thousand miles in that country. I met many of the leaders of the Bolshevik regime and also millions of the Russian people. I stated to a number of those holding official positions in the Soviet Government, that if certain conditions were accepted by that Government, I would favor a policy that would lead to recognition. I regret that the Soviet leaders indicated their opposition to their acceptance. Changes have taken place in Russia since I was there, and particularly during the past 4 or 5 years. President Roosevelt undoubtedly believed the time had come for recognition to be accorded to the Soviet Government.

Several months ago it became evident that negotiations would be entered upon between representatives of the United States and the Soviet Government looking to an agreement under which diplomatic relations between the two Governments would be brought about. In view of the position which I had taken in the matter of recognition and the conversations which I had had with representatives of the Soviet Government, when in Russia, I took the liberty of submitting a memorandum to our Government, a copy of which is as follows:

No circumstances have arisen to date that would alter my attitude heretofore expressed in the Senate and elsewhere on the question of recognition by the United States of the Soviet Government in Russia.

I have always felt the most profound sympathy for the Russian people and have entertained keen regret that they should be subjected to a regime of political and economic dictatorship represented by the present authority in Russia. I have believed that as an American I have no right to interfere with the internal, political, or economic affairs established and maintained by another sovereign nation.

On the other hand, I have always contended that recognition of a foreign government by our Government is not a duty nor an obligation on our part but an act of policy dictated by considerations which appear to be in our best interest.

I supported the position of President Wilson in refusing to recognize the Bolshevik regime and after having visited Russia, where I spent several months and traveled more than 8,000 miles, I was more firmly convinced that the best interests of our country would not be served by extending recognition to the Soviet Government until and unless that Government should change its policy with respect to internal affairs as well as external matters, and, moreover, that it should give ample and convincing proof of its intention to assume in its international relations a clear obligation to act in accordance with the generally recognized standards of friendly intercourse among nations.

I am, therefore, opposed to extending recognition to the Soviet Government until such proof is forthcoming.

If it should become the policy of our Government to reconsider at this time our official attitude toward the Soviet Government, our first step should be the creation of a competent commission to ascertain, both independently and in consultation with the representatives of the Soviet Government, the necessary facts upon which a judgment can be based as to whether or not the Soviet Government is prepared, in fact, to assume international obligations common to all civilized nations.

Specifically, before extending recognition to the Soviet Government, we should know: (1) Whether or not that Government is prepared to undertake to conduct no subversive propaganda in our country or our Territorial possessions, either directly through its accredited representatives, or indirectly through such an agency as the Third Internationale; (2) whether or not that Government is prepared to and will dissociate itself from the Third Internationale, and will agree to no longer subsidize it or contribute to its maintenance or activities; (3) whether or not that Government is prepared to and will guarantee an open, public, and fair trial to any American citizen who may be charged with the violation of any law, rule, or regulation of such Government; (4) whether or not that Government is prepared to and will recognize former subjects of Russia who are naturalized American citizens as American citizens and will accord to them all the rights of American citizens; (5) whether or not that Government is prepared, with respect to the war loans extended by our Treasury to fully accredited representatives of the Russian Government then in power, to place itself on the same footing as all the other governments which had borrowed from us during the war—that is, to acknowledge the obligation and to enter into proper negotiations for the discharging of such obligation; and (6) whether or not that Government is prepared to enter into negotiations for the satisfaction of the claims of our citizens who had suffered property damage because of acts initiated and carried out by authority of that Government.

The willingness of the Soviet Government to assume the undertakings herein enumerated should be embodied in formal declarations, precedent to our act of recognition.

I will pause to add parenthetically that substantially the conditions to which I challenged the attention of the President and the State Department have been, I am glad to say, embodied in the agreements which were entered into.

The experience of other important nations, notably Great Britain and France, which had recognized the Soviet Government unconditionally, should serve as sufficient warning to us as to the difficulty of protecting and maintaining our national interests in the face of the international policies pursued by the Soviet Government in the absence of previous clearly defined undertakings on the part of that Government.

It is often asserted that recognition of the Soviet Government would result for our country in a large expansion of our export trade to Russia. This, it is held, would be of sufficient benefit to several important branches of agricultural and industrial production in the United States to render the act of recognition a step in the direction of promoting our best national interests.

The truth of this assertion should be another necessary field of inquiry for the American Commission suggested above. From my personal investigation of this subject, I am convinced that no foundation whatever exists for the extravagant claims advanced in favor of outstanding trade benefits that would accrue to us as a result of our extending recognition to the Soviet Government.

The possibility of our purchases from Russia, the proceeds of which could be used to pay for our exports to that country, is admittedly very limited. Our sales to Russia, over and above our purchases from her, would have to be governed by one of the following factors: (1) A net balance in favor of Russia in her trade with her principal customers, that is, Germany, Great Britain, Italy, and France; (2) exports of gold by her; and (3) new credits extended to her in this country.

I am credibly informed that for some time ahead any visible net balance in favor of Russia in her trade with the principal European nations is bound to be absorbed by her payments to these countries on account of credits already extended to her by their citizens. Similarly, her stocks and current production of gold are relatively small.

Hence, there would appear to be but a slight businesslike basis for the extension to her of any substantial volume of new credits.

All these questions will have to be thoroughly and authoritatively investigated before adequate judgment can be formed as to whether or not the recognition of the Soviet Government would, in fact, be in our best economic interest. Surely no officials of our Government would be so oblivious of the disastrous consequences of our huge loans to foreign countries during the postwar years as to lay the foundation for a resumption of substantial loans abroad without a most careful investigation as to the soundness of such investments.

In short, an unconditional recognition of the Soviet Government, prior to an adequate and authoritative investigation and unaccompanied by a definite assumption by the Soviet Government of trustworthy undertakings along the lines here suggested, would be a rash and precipitate action, likely to be profoundly deplored all too soon after it is taken.

Mr. President, the President of the United States, as has been so well stated by the able Senator from Michigan, and also by the Senator from Indiana, undoubtedly has the power under the Constitution to recognize foreign governments.

Perhaps the time has come to change. At any rate, I am accepting as a fait accompli the action taken by the Presi-

dent of the United States. Substantially all the guaranties I suggested in the memorandum are incorporated in the agreements which have been entered into.

Mr. President, I sincerely hope that the relations between our Government and the Soviet Government will be attended with happy results. For the Russian people I entertain a high regard. They possess admirable qualities and capacity for great achievement. Under a liberal and progressive government they will go far and will materially contribute to the world's development.

Mr. President, in my opinion, the selection of Mr. Bullitt for the post of Ambassador to Russia was most fortunate. I know of no person in the United States that is as well acquainted with conditions in Russia and with the officials of the Soviet Government as Mr. Bullitt, and I think President Roosevelt made a wise choice in selecting him. I am sure he will properly guard and protect the interests of our Government and will be an important factor in the promotion of friendly relations between the Russian people and the United States. I shall be pleased to vote for his confirmation.

The VICE PRESIDENT. The question is, Shall the Senate advise and consent to the nomination of William Christian Bullitt to be Ambassador Extraordinary and Plenipotentiary to the Union of Soviet Socialist Republics?

The nomination was confirmed.

STATE DEPARTMENT—DIPLOMATIC AND FOREIGN SERVICE

The legislative clerk read the nomination of Hal H. Sevier, of Texas, to be Ambassador Extraordinary and Plenipotentiary to Chile.

The nomination was confirmed.

The legislative clerk read the nomination of Post Wheeler, of Washington, to be Envoy Extraordinary and Minister Plenipotentiary to Albania.

The nomination was confirmed.

The legislative clerk read the nomination of George H. Earle, 3d, of Pennsylvania, to be Envoy Extraordinary and Minister Plenipotentiary to Austria.

The nomination was confirmed.

The legislative clerk read the nomination of Fay A. des Portes, of South Carolina, to be Envoy Extraordinary and Minister Plenipotentiary to Bolivia.

The nomination was confirmed.

The legislative clerk read the nomination of Frederick A. Sterling, of Texas, to be Envoy Extraordinary and Minister Plenipotentiary to Bulgaria.

The nomination was confirmed.

The legislative clerk read the nomination of Sheldon Whitehouse, of New York, to be Envoy Extraordinary and Minister Plenipotentiary to Colombia.

The nomination was confirmed.

The legislative clerk read the nomination of Leo R. Sack, of Pennsylvania, to be Envoy Extraordinary and Minister Plenipotentiary to Costa Rica.

The nomination was confirmed.

The legislative clerk read the nomination of Bert Fish, of Florida, to be Envoy Extraordinary and Minister Plenipotentiary to Egypt.

The nomination was confirmed.

The legislative clerk read the nomination of John Van A. MacMurray, of Maryland, to be Envoy Extraordinary and Minister Plenipotentiary to Estonia, Latvia, and Lithuania.

The nomination was confirmed.

The legislative clerk read the nomination of Edward Albright, of Tennessee, to be Envoy Extraordinary and Minister Plenipotentiary to Finland.

The nomination was confirmed.

The legislative clerk read the nomination of Matthew E. Hanna, of Ohio, to be Envoy Extraordinary and Minister Plenipotentiary to Guatemala.

The nomination was confirmed.

The legislative clerk read the nomination of W. W. McDowell, of Montana, to be Envoy Extraordinary and Minister Plenipotentiary to the Irish Free State.

The nomination was confirmed.

The legislative clerk read the nomination of Grenville T. Emmet, of New York, to be Envoy Extraordinary and Minister Plenipotentiary to the Netherlands.

The nomination was confirmed.

The legislative clerk read the nomination of Arthur Bliss Lane, of New York, to be Envoy Extraordinary and Minister Plenipotentiary to Nicaragua.

The nomination was confirmed.

The legislative clerk read the nomination of Antonio C. Gonzalez, of New York, to be Envoy Extraordinary and Minister Plenipotentiary to Panama.

The nomination was confirmed.

The legislative clerk read the nomination of Meredith Nicholson, of Indiana, to be Envoy Extraordinary and Minister Plenipotentiary to Paraguay.

The nomination was confirmed.

The legislative clerk read the nomination of William H. Hornibrook, of Utah, to be Envoy Extraordinary and Minister Plenipotentiary to Persia.

The nomination was confirmed.

The legislative clerk read the nomination of James Marion Baker, of South Carolina, to be Envoy Extraordinary and Minister Plenipotentiary to Siam.

The nomination was confirmed.

The legislative clerk read the nomination of Charles S. Wilson, of Maine, to be Envoy Extraordinary and Minister Plenipotentiary to Yugoslavia.

The nomination was confirmed.

The legislative clerk read the nomination of John H. MacVeagh, of New York, to be consul.

The nomination was confirmed.

The legislative clerk read the nomination of A. Dana Hodgdon, of Maryland, to be Foreign Service officer of class 6, a consul, and a secretary in the Diplomatic Service.

The nomination was confirmed.

The legislative clerk read the nomination of Clayson W. Aldridge, of New York, to be Foreign Service officer of class 7, a consul, and a secretary in the Diplomatic Service.

The nomination was confirmed.

The legislative clerk read the nomination of Walton C. Ferris, of Wisconsin, to be Foreign Service officer of class 8, a consul, and a secretary in the Diplomatic Service.

The nomination was confirmed.

The legislative clerk read the nomination of John G. Erhardt, of New York, to be consul general.

The nomination was confirmed.

The legislative clerk read the nomination of O. Gaylord Marsh, of Washington, to be consul general.

The nomination was confirmed.

The legislative clerk read sundry nominations of secretaries in the Diplomatic Service.

The nominations were confirmed.

The legislative clerk read the nomination of Thomas M. Wilson, of Tennessee, to be Foreign Service officer of class 1.

The nomination was confirmed.

The legislative clerk read the nomination of Graham H. Kemper, of Kentucky, to be consul general.

The nomination was confirmed.

POST OFFICE DEPARTMENT

The legislative clerk read the nomination of William W. Howes, of South Dakota, to be First Assistant Postmaster General.

The nomination was confirmed.

The legislative clerk read the nomination of Harllee Branch, of Georgia, to be Second Assistant Postmaster General.

The nomination was confirmed.

FEDERAL TRADE COMMISSION

The legislative clerk read the nomination of James M. Landis, of Massachusetts, to be Federal Trade Commissioner.

The nomination was confirmed.

FEDERAL DEPOSIT INSURANCE CORPORATION

The legislative clerk read the nomination of Walter J. Cummings, of Illinois, to be director.

The nomination was confirmed.

The legislative clerk read the nomination of Elbert G. Bennett, of Utah, to be director.

The nomination was confirmed.

FARM CREDIT ADMINISTRATION

The legislative clerk read the nomination of Albert Simon Goss, of Washington, to be Land Bank Commissioner.

The nomination was confirmed.

The legislative clerk read the nomination of Francis Winfred Peck, of Minnesota, to be Cooperative Bank Commissioner.

The nomination was confirmed.

TREASURY DEPARTMENT—BUREAU OF INTERNAL REVENUE

The legislative clerk read the nomination of Eldon P. King, of Ontario, Oreg., to be Special Deputy Commissioner of Internal Revenue.

The nomination was confirmed.

COLLECTORS

The legislative clerk read sundry nominations of collectors of internal revenue.

The nominations were confirmed.

CUSTOMS SERVICE COLLECTORS

The legislative clerk read sundry nominations of collectors of customs.

The nominations were confirmed.

COMPTROLLER OF CUSTOMS

The legislative clerk read the nomination of Samuel T. Ladd to be comptroller of customs, district no. 4, Boston, Mass.

The nomination was confirmed.

DEPARTMENT OF THE INTERIOR

The legislative clerk read the nomination of Jessie M. Gardner to be register, land office, Denver, Colo.

The nomination was confirmed.

COMMISSIONERS OF THE DISTRICT OF COLUMBIA

The legislative clerk read the nomination of George E. Allen, of the District of Columbia, to be Commissioner.

The nomination was confirmed.

The legislative clerk read the nomination of Melvin C. Hazen, of the District of Columbia, to be Commissioner.

The nomination was confirmed.

PUBLIC HEALTH SERVICE

The legislative clerk read sundry nominations for promotions in the Public Health Service.

The nominations were confirmed.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

Mr. PITTMAN. Mr. President, I move that the Senate proceed to the consideration of the treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed July 18, 1932.

The motion was agreed to, and the Senate, as in Committee of the Whole, proceeded to the consideration of the treaty.

Mr. PITTMAN. Mr. President, I ask unanimous consent that a summary of data concerning the pending treaty, which accompanied the President's message sent to the Senate on yesterday, be printed in the RECORD.

The VICE PRESIDENT. Is there objection?

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

SUMMARY OF REPORTS AND DATA RELATIVE TO THE GREAT LAKES-ST. LAWRENCE PROJECT

The following pages summarize the results of a survey of the economic aspects of the proposed Great Lakes-St. Lawrence project.

The basic data are presented in separate reports prepared by the agencies cooperating in the survey, consisting of 2,000 pages of text and tables, illustrated with charts and maps.

THE SEAWAY

In order to appraise a project of such magnitude as the proposed seaway, the investigation was necessarily addressed to answering certain questions:

(1) Is the region affected by the project of sufficient importance in terms of population, manufacturing output, agriculture, available ports, and trade, to assure a flow of goods via the waterway to and from other areas of economic importance both as sources of commodities and as markets?

(2) Are there commodities already moving in and out of the region in quantity, which may be counted upon to move more freely, if the proposed project offers cheaper transportation?

(3) To what extent will the proposed waterway open up a new coast line to ocean commerce and in what quantities are commodities of various classes and descriptions available as potential cargo for vessels using the new route?

(4) What savings are likely to be obtained on shipments via the proposed waterway as compared with the cost of shipping via present available routes, and what effect on the economic well-being of the region and the country as a whole may be expected?

(5) What work is necessary to complete the proposed waterway and will the cost be justified when viewed in terms of the expected savings?

(6) In what way and to what extent will the proposed waterway affect other parts of the country and other transportation interests?

The reports here summarized provide, as nearly as possible, accurate answers to these questions in terms of facts gathered by Government agencies.

The proposed waterway improvement and its cost

The Great Lakes-St. Lawrence waterway is already in existence. Its development is not a question of initiating, but rather of completing, a project in the improvement of which the United States and Canada have whole-heartedly cooperated for generations. The vessels of both countries have navigated its waters freely and with equal rights since the Webster-Ashburton Treaty of 1842. Throughout this entire period it has been in the truest sense an international highway, unique in the fact that for more than a century no warship has floated in its waters. The United States and Canada have already, with common accord, expended many millions of dollars in its improvement and it now carries an enormous tonnage even in its most restricted sections.

The waterway, which now extends from Duluth-Superior at the western end of the Great Lakes system to the Atlantic Ocean, a distance of 2,350 miles, has already been improved to a minimum depth of 21 feet except in the relatively short section of the St. Lawrence River which lies between Prescott-Ogdensburg and Montreal. In this 120-mile section there are now 47 miles of 14-foot canals. This constricted section forms a bottle neck which prevents the passage of ordinary ocean-going vessels and makes the port of Montreal virtually the head of ocean navigation and the transshipment point for inbound and outbound commerce.

The pending Great Lakes-St. Lawrence Deep Waterway Treaty is in substance an agreement between the United States and Canada to complete the improvement of the existing waterway to provide a minimum depth of 27 feet from the Great Lakes ports to the Atlantic Ocean.

The major portion of the work provided for in the treaty between the United States and Canada will be done in the International Rapids section of the St. Lawrence River, which forms the boundary between the State of New York and the Province of Ontario. Here two great dams will be constructed converting the existing turbulent rapids into deep pools where navigation will be unrestricted. Ocean-going vessels will be passed around these dams by canals having a total length of 10 miles with three locks capable of handling large ocean-going vessels without delay. The dams will also be used to generate 2,200,000 horsepower of electrical energy which will be shared equally between the United States and Canada.

The completed seaway from Duluth to the Atlantic Ocean will provide a waterway in which vessels may move with unrestricted speed over approximately 97 percent of the total distance. The time required for navigation by ordinary cargo vessels is estimated at approximately 9 days. From Chicago to the Atlantic Ocean the distance and time of navigation will be very nearly the same. The distance and time of navigation from lake ports farther east will be proportionately less.

Full details are given in the several reports as to the barriers which remain to be removed and the works required to complete the seaway.

Attention is particularly directed to the fact that, estimating the capacity of the present St. Lawrence canals as about 9,000,000 tons of commerce annually, it appears that the capacity of the existing waterway is largely absorbed by the commerce of today and that, with the return of normal conditions, it is likely to be exceeded. In 1928 the traffic on these canals amounted to approximately 8,400,000 tons. This may be compared with approximately 10,400,000 tons carried through the Panama Canal in vessels of less than 25-foot draft in the same year. In 1929 the traffic through the St. Lawrence canals declined to less than 6,000,000 tons but it has been steadily increasing as a result of the opening of the new Welland Ship Canal in 1930 to restricted navigation. It would appear, therefore, that the existing 14-foot St. Lawrence canals must be speedily enlarged, if serious congestion of commerce is to be avoided.

The annual capacity of the proposed Great Lakes-St. Lawrence seaway is conservatively estimated by the Corps of Engineers at 25,000,000 tons. In comparing this capacity with the tonnage now passing through the most restricted section of the waterway, it may be noted that the tonnage of the 14-foot St. Lawrence canals increased from approximately 2,000,000 tons in 1908 to 8,400,000 in 1928. This represents an increase of 320 percent during the 20 years, or at the rate of approximately 16 percent per annum. It will hardly be questioned that the growth of traffic in the enlarged channels of the seaway will be even more rapid than

it has been in the restricted channels of the existing canals. But even on the assumption of the continuance of the past trend, the proposed capacity of the Great Lakes-St. Lawrence seaway would be completely utilized in less than 25 years.

The total United States share of the cost of completing this waterway to open the Great Lakes to ocean-going commerce under the treaty is estimated at $272,453,000, including the development of 1,100,000 horsepower on the United States' side of the International Rapids. Of this it is proposed, under the terms of the joint resolution which has already passed the House of Representatives, that $89,726,750 be assumed by the State of New York as representing the cost which may fairly be allocated to the power project. This would place the total net cost to the United States for the entire project, under the treaty, at $182,726,250.

The annual cost of the seaway to the United States, including interest at 4 percent, amortization of 50 years, operation and maintenance, is estimated by the Corps of Engineers at $9,300,000. This amounts to an annual cost of 7.4 cents per capita for the population of the United States and 23.2 cents per capita for the seaway area.

The new seacoast

Completion of the Great Lakes-St. Lawrence project will create a new seacoast for the United States, 3,576 miles in length of shore line, reaching into the heart of the Nation and converting 30 American cities located on the Lakes and connecting channels into seaports. As a result, 28 of the 48 States will share in the extended coast line of the United States.

The following Great Lakes ports, whose foreign and coastwise water-borne commerce in 1931 exceeded 500,000 short tons, may be expected to secure increased water-borne commerce as a result of the completion of the seaway: Duluth, Minn.; Ashland, Green Bay, Manitowoc, Milwaukee, and Superior, Wis.; Calumet and Chicago, Ill.; Gary and Indiana Harbor, Ind.; Calcite, Detroit, Escanaba, Marquette, and Saginaw, Mich.; Ashtabula, Cleveland, Conneaut, Fairport, Huron, Lorain, Sandusky, and Toledo, Ohio; Erie, Pa.; Buffalo and Rochester, N.Y.

Opening up this region which has a capacity of production and consumption comparable with the North Atlantic States must result in benefits not only to these ports and their adjoining territory but also to the Nation as a whole.

The seaway area

The seaway area is defined by a line on the map of the United States bounding the area adjacent to the Great Lakes in which transportation costs to and from the markets of the world would be reduced by the improvement.

This area, on the basis of data in the reports of the Corps of Engineers, United States Army, includes the following States in their entirety: Ohio, Indiana, Michigan, Illinois, Wisconsin, Missouri, Iowa, Minnesota, North Dakota, South Dakota, Nebraska, and Kansas. It includes also parts of New York, Pennsylvania, Kentucky, Colorado, Wyoming, and Montana.

The population of the seaway area, exclusive of States only partially included, was 42,470,045 in 1930. This represents approximately 35 percent of the population of the country. It compares with a population of 50,220,680 in the Atlantic area; 19,872,772 in the Gulf area; and 10,211,549 in the Pacific area. For the past 30 years the population of the area has increased almost uniformly at a rate of 13 percent per decade.

If the parts of States not wholly embraced by the seaway area are included, the population to be directly benefited by lower transportation costs totals approximately 45,000,000. This area includes 35 cities of more than 100,000 population.

The value of manufactured products in the area in 1929, exclusive of those States only partially included, totaled $27,040,672,000, or approximately 38 percent of the national total.

If all the counties of other States included in the seaway area, as delimited on the map prepared by the United States Engineers, are included in the seaway area, the combined value of manufactured products in this area totaled $32,600,499,000 in 1929, or 46 percent of the total for the United States as a whole. This manufacture involved the purchase of raw materials of a total value of $18,277,951,000, or 47 percent of the total value of all raw materials purchased by factories throughout the country.

Of the 17 States which lead the country in factory production, 9 are wholly and 2 are partially within the seaway area.

The agricultural production of the country is also largely centered in the seaway area. The States wholly within the area contain 52 percent of all the crop land, 51 percent of the total value of farm property, 50 percent of the total value of livestock, 52 percent of the dairy cows, 72 percent of the swine, 66 percent of the butter output, and 49 percent of the egg production.

In grain crops this region produces 76 percent of the corn, 64 percent of the wheat, and 84 percent of the oats raised in the United States.

The wholesale and retail trade in the seaway area affords a basis for appraising the demand for foreign and domestic imports.

The wholesale trade of the area in 1929 (including only those States wholly within it) totaled $22,727,535,000 out of a country-wide total of $69,291,547,000. If the portions of other States, which are within the area, are included, the total amounted to $26,689,866,000, or 38.5 percent of the total for the country as a whole.

The retail trade of the area presents the same impressive picture of a market which will be benefited by the Great Lakes-St. Lawrence seaway. In 1929 the retail trade of the area amounted to $19,828,701,000, representing 40 percent of the retail trade of the United States.

Importance of intercoastal commerce in relation to seaway

The predominance of domestic over foreign commerce in the water-borne commerce of the United States is a highly important factor which must be considered in appraising the effect of the Great Lakes-St. Lawrence seaway on the several coast lines and ports interested directly or indirectly in the development.

In the 10 years, 1923 to 1932, inclusive, the domestic coastwise and intercoastal trade of the country comprised approximately four fifths of the total water-borne commerce. In other words, the volume of domestic commerce was four times as great as that of foreign commerce. This is important because the completion of the Great Lakes-St. Lawrence seaway will render one of the country's greatest economic areas accessible to intercoastal as well as to foreign water-borne commerce.

The predominance of domestic commerce over foreign is not only characteristic of the water-borne commerce of the United States as a whole, but also of the various separate coasts and ports. Thus, in 1930, the ratio of domestic to total water-borne commerce was 82 percent for the ports of the Atlantic seaboard, 70 percent for the ports of the Gulf coast and 84 percent for ports of the Pacific coast. The enormous Great Lakes tonnage is, of course, overwhelmingly domestic (92 percent).

It is reasonable to believe, therefore, that at least 80 percent of the new traffic that will be developed by the improvement of the Great Lakes-St. Lawrence seaway will be domestic commerce moving between the ports on the Great Lakes and the existing ports on the Atlantic, Gulf, and Pacific coasts.

This suggests that the ports on the other coasts will be more largely benefited by the growth of intercoastal commerce moving via the Great Lake-St. Lawrence waterway than they can be injured by changes in the movement of foreign commerce occasioned thereby. The Atlantic, Gulf, and Pacific ports, with their already important movement of domestic water-borne commerce, will have the added advantage of direct ocean-trade routes to the new Great Lakes-St. Lawrence coast serving an area incomparable both as a source of products and as a market for the goods produced in other areas.

In other words, if it be granted that some of the Atlantic and Gulf ports may suffer some loss of foreign commerce, which now moves through them by a combination of rail and water transportation, this disadvantage would be more than offset by reason of the great increase in domestic commerce with the Great Lakes-St. Lawrence ports which will develop as soon as the seaway is opened for navigation.

Potential commerce via seaway

The completion of the Great Lakes-St. Lawrence seaway will enable 70 percent of the world's ocean-going freight-cargo tonnage to reach the Great Lakes and St. Lawrence River ports which serve the important industrial, agricultural, and commercial area described above. The potential export and import tonnage which will move via the seaway, based on 1929 conditions, is conservatively estimated in a special study prepared by the War Department at 13,000,000 tons, and the savings in transportation costs, as compared with present available routes, at approximately $79,000,000.

These conclusions rest on the following analysis:

The ocean-going merchant marine of the chief maritime nations of the world, consisting of vessels of 2,000 tons or over, as of December 31, 1932, totaled 9,358 vessels with a total tonnage of 51,000,000. Of this total, 6,938 vessels with a total tonnage of 30,000,000 have a draft, fully loaded, of 26 feet or less.

The freight-cargo vessels included in the above total 6,707 vessels with a total tonnage of 31,000,000; of this total, 5,457 with a combined tonnage of 22,000,000 have a draft, fully loaded, of 26 feet or less.

These figures indicate that approximately 60 percent of the world's ocean-going tonnage and 70 percent of its freight-cargo tonnage can utilize the proposed seaway to promote the commerce of the interior of the continent.

Possible export and import commerce over the proposed St. Lawrence waterway, based on 1929 conditions, is estimated at 23,000,000 tons. Certain corrections arbitrarily made in an effort to be conservative reduce this estimate to a more probable figure of 13,000,000 tons. Potential exports via the waterway include wheat and grain products, meats and animal fats, manufactured iron, chemicals, automobiles, agricultural implements, and copper. Potential imports include sugar, rubber and rubber substitutes, coffee, bananas, kaolin, vegetable oil, manganese, and pyrites.

Further analysis reveals that as a whole the potential export and import trade is fairly well balanced, and that even when broken down on a zone basis there is considerable possibility of two-way loading. On the basis on which these estimates are prepared partial loading through the St. Lawrence canals, for vessels of greater draft than indicated by the canal depth, with additional cargo picked up through detour to North Atlantic ports, would be economically profitable whenever the additional pick-up exceeded 300 tons.

An analysis was made of certain commodities which were regarded as important potential tonnage for the Great Lakes-St. Lawrence seaway. The present costs of transportation of 6 export and 5 import commodities were compared with the possible costs that might result through development of the proposed seaway.

These savings and the basis for the figures arrived at are shown in detail in the report of the War Department. On the basis indicated therein, it is shown that in 1929 there might have been moved over the proposed seaway a total of exports of 7,741,500 tons

with a possible saving of $44,810,923, and an import movement of 5,742,333 tons with a possible saving of $34,082,207. It should be noted that these figures are for the year 1929 and are obtained on the basis of the best possible transportation costs and assuming the most favorable conditions.

In the comparisons actual vessel costs were used for both prospective seaway and present ocean transportation. Full vessel loading was also assumed and the figures for tonnage were based on commerce for the calendar year 1929. Full allowance in seaway vessel costs was made for insurance and pilotage, as well as for a reduction in tonnage due to the winter period in which the St. Lawrence will be closed to navigation. In using rail rates commodity rates were used where available.

This saving of over $70,000,000 a year, affecting both the producer and the consumer, is based entirely upon foreign commerce. As stated above, our water-borne foreign commerce is only one fifth of the total water-borne commerce of the United States.

It has been impossible to derive from authentic sources the amount with origin and destination of purely domestic commerce. There are appended in the War Department annex tabulations showing existing ocean-freight rates compared with published tariffs for land transportation. A consideration of the producers' and consumers' market which will be opened up to deep-water transportation by the development of the proposed seaway with a comparison of the land and ocean rates will indicate in some small measure the benefits to domestic commerce which will be developed through the proposed improvement.

Typical savings in such domestic shipments, assuming return cargo available, were $5.44 to $12.64 per ton on lumber from Grays Harbor, Wash., to Detroit, Mich.; $9.332 per ton on class 5 commodities from Philadelphia to Chicago; $84.947 per ton on automobiles from Detroit to Los Angeles.

Coordination of transportation agencies

Adequate appraisal of the proposed seaway must include an attempt to estimate future traffic requirements of the area affected and to allocate such traffic between the seaway and existing transportation agencies. So far as the various indices afford a basis for such an estimate, it is clear that an upward trend is still characteristic both of population and of per capita freight traffic.

Interstate Commerce Commission figures show that railroad freight ton-miles increased from an average of 167,712,000,000 in the 5 years, 1901–5 to an average of 430,378,000,000 for the 5 years, 1926–30 and that, with the exception of the abnormal war period, the rate of increase has been remarkably steady, with no sign of diminution. This is significant in view of the fact that recent years have been characterized by increasing competition on waterways and highways. The trend would indicate a demand for about 650,000,000,000 ton-miles of freight traffic in 1950, an increase of 200,000,000,000 ton-miles as compared with the 1929 peak.

A similar analysis based on population growth and increase in per capita ton-miles of traffic suggests approximately the same conclusion and warrants the conviction that by 1950 the increase in traffic offered to the country's transportation agencies will be at least 30 times the probable traffic via the seaway. If the comparison is limited to the railroads paralleling the proposed seaway, it appears that increased demands for traffic will exceed the potential traffic of the seaway at least 10 times over.

The seaway, then, cannot be viewed as tending to absorb existing railroad tonnage. The problem is in reality one of apportioning new traffic in terms of the economic interest of the country.

This must take account of the fact that increasing traffic has meant increasing traffic density rather than increasing the number of miles of railroad. This is particularly true of the railroads in the eastern district, where the density amounted to 3,195,743 ton-miles per mile of road in 1929 as compared with 1,727,786 ton-miles per mile of road for the country as a whole. On the eastern trunk lines the density of traffic was still greater, amounting to 4,660,584 ton-miles per mile of road for the Pennsylvania in 1929.

The period 1920–29 was characterized by increasing traffic between the Atlantic and Pacific coasts via the Panama Canal, estimated to have saved the country upward of $900,000,000 in freight charges as compared with what it would have cost to ship the same traffic by rail. At the same time inland-waterway commerce was increasing. Yet in that period the railroads showed the best consecutive record of dividend payments in their history, and disbursed a total of more than $10,000,000,000, or an average of over $1,000,000,000 a year, in dividend and interest payments.

Detailed analysis shows that the railroads are not burdened with excess equipment or facilities. Consequently, to meet the increasing traffic requirements of coming years, the country may choose, without injustices to the railroads, whether investment in opening the interior to ocean navigation would not be advisable as part of the necessary increased investment in traffic facilities.

Analysis of the effect of Panama Canal traffic on the western railroads operating in competition with it shows that the traffic through the waterway has been predominantly in heavy, bulky products of low revenue yield, while on the railroads the proportion of relatively higher-yield traffic in manufactured articles has tended to increase. In spite of the growth of intercoastal shipments through the Canal, the western railroads secured an increase both in total traffic and in traffic density as compared with the pre-Canal period.

The gross and net income of the western roads also tended to increase, the net income reaching an all-time peak of $336,769,396 in 1929. This represented an increase of 48 percent over the net income of 1913, the peak prior to the Canal opening.

Judging from the experience of the western roads in competition with the Panama Canal, there is no sound basis for anticipating that the development of the Great Lakes-St. Lawrence seaway will in any material degree affect adversely either the traffic or the prosperity of the eastern trunk lines that will compete with it. The seaway will handle its share of the heavy, bulky, commodities and leave the railroads free to handle manufacturers' and other relatively higher-yield commodities with greater efficiency. This will benefit rather than injure the roads.

THE POWER PROJECT

The following pages summarize an investigation of the economic aspects of the power projects to be built in the International Rapids section of the St. Lawrence River in conjunction with the Great Lakes-St. Lawrence seaway.

The basic data are set forth in a report prepared by the Federal Power Commission and the Power Authority of the State of New York, which includes technical appendixes and illustrative charts.

In order to appraise a power project of such magnitude, the survey was directed to the following questions:

(1) Is the power project an economic undertaking in terms of capital cost per installed horsepower, proportion of primary horsepower to installed horsepower, annual cost per horsepower, including all charges and operating expenses?

(2) To what distance can St. Lawrence power be economically transmitted?

(3) What are the present power facilities of the region and how are they located in relation to the St. Lawrence development? What are the present transmission interconnections?

(4) Are the economic characteristics of the region within transmission distance such as to warrant the conclusion that there will be a market for the power?

Power development under the treaty defined

The Great Lakes-St. Lawrence seaway project does not involve the United States in any expenditure, whatever, for power developments in those sections of the river which are entirely Canadian. The power in the most important Canadian section, i.e., the Soulanges Rapids section, is already being developed by Canadian private interests. This is no concern of the United States under the Great Lakes-St. Lawrence project but it does afford a cogent economic reason for the early development of power in the International Rapids section if the United States is to keep pace in providing cheap current for its rural and domestic consumers and for industry.

The St. Lawrence power development, so far as the United States is concerned, involves the development of approximately 1,100,000 horsepower in that section of the river which serves as the international boundary between the State of New York and the Province of Ontario. If the agreement with the New York Power Authority, embodied in the joint resolution which has already passed the House of Representatives, is confirmed that agency will assume responsibility for $89,726,750 of the total United States investment under the treaty. The corresponding power development on the other side of the river will be paid for by the Province of Ontario.

St. Lawrence offers exceptional power resource

The international rapids section of the St. Lawrence River offers an opportunity for hydroelectric power development which is exceptional among the remaining water-power resources of the country. This is so because the Great Lakes provide a 94,000-square-mile storage reservoir which tends to equalize the flow of the river. This means that an unusual proportion of the installed horsepower will be primary power, available all the time, and requiring no investment in storage systems or stand-by steam plants.

Under the treaty power will be developed at two sites. The upper, or Crysler Island Dam, will develop a head of from 19.6 to 24.2 feet. The lower dam will develop a head of from 56.4 to 60.4 feet. The combined total installation to utilize these heads will be 2,199,960 horsepower, of which one half, or approximately 1,100,000 horsepower, will be developed in the United States. It is estimated that on the United States side of the line there will be available 769,562 primary horsepower and 141,798 high-grade secondary power.

This will make possible an annual output of 5,000,000,000 kilowatt-hours of primary power, with about 700,000,000 more from the secondary power. The combined total is equivalent to approximately half of all the electricity sold in New York State in 1932.

Cost estimates assure economical power development

The investment of $89,726,750, to be assumed by the New York Power Authority as the share of the total cost of developing the international rapids section allocable to power, will make power available at an investment cost of $81.57 per installed horsepower and $115.74 per primary horsepower. It renders the proposed power development one of the most economical on the continent, comparing with an investment cost of $136 per installed horsepower for the present capacity of Conowingo, $120 for Fifteen Mile Falls, N.H., and $122 at Muscle Shoals. None of these projects has the high proportion of primary power available on the St. Lawrence. Consequently their cost per primary horsepower is far greater.

The cost of generating this power, assuming interest at 4 percent, complete amortization of the investment in 40 years, depreciation, maintenance, and operating expenses, may be estimated as follows:

Annual cost of St. Lawrence power

Interest (4 percent on $89,726,750)	$3,589,070
Amortization	897,268
Depreciation	807,840
Operation and maintenance (2 plants)	800,000
	6,094,178
Cost per primary horsepower year	7.92
Cost per installed horsepower year	5.54

St. Lawrence power, used to carry the base load of a system corresponding with that of the New York Power & Light Corporation, could market 87 percent of its potential kilowatt-hour output. On this basis the generating cost per kilowatt-hour would be about 1.4 mills. On an 80 percent load factor basis it would cost approximately 1.5 mills. These figures make no allowance for the very real value of the secondary power.

Example of St. Lawrence power in combination with steam

Technical studies made for the New York Power Authority show extraordinary economies in possible use of St. Lawrence power in combination with steam-generating capacity. Such a combination would make it possible to utilize to the fullest extent not only the primary but also the secondary power. The steam plants would be used only a portion of the time, when required to carry peak loads. The steam cost figures used in these estimates are based on data furnished by the Niagara Hudson Power Corporation to the St. Lawrence Power Development Commission.

As an example, if combined with 1,780,000 horsepower of steam plant capacity to carry a system with a 45-percent-load factor and load curves corresponding with those of the New York Power & Light Corporation, the St. Lawrence power plants could market nearly 100 percent of their potential primary power output. The combination of hydro and steam would provide an annual output of 7,333,000,000 kilowatt-hours at a cost, with the steam plants privately owned, of $12.23 per horsepower year or about 4.1 mills per kilowatt-hour.

Similar results were obtained on the assumption that 200,000 horsepower was sold to industry near Massena on an 80-percent-load factor basis and the remainder combined with enough steam generating capacity to supply a system with 45-percent-load factor 2,000,000 horsepower of firm power.

These figures, in conjunction with those in the preceding section, indicate that in almost any possible combination St. Lawrence power will be cheap power of the greatest possible value.

Cost of transmission

Special studies have been made of the cost of transmitting that portion of St. Lawrence power which will not be used by industries located near the project. The most exhaustive technical investigation of the problem is that prepared for the Power Authority of the State of New York by E. F. Scattergood, chief electrical engineer and general manager of the Los Angeles Bureau of Power and Light. He was assisted in this analysis by engineers who prepared similar plans and estimates for transmitting Boulder Dam power to Los Angeles.

Mr. Scattergood assumes 300,000 kilowatts transmitted to New York City over 4 straight-of-way 220,000-volt transmission circuits on 2 double-circuit steel-tower transmission lines from the St. Lawrence River to Elmsford and four 132-kilovolt underground cables of 80,000-kilowatt capacity from Elmsford into New York City.

On the above basis, with interest on transmission investment at 4.75 percent the cost of transmission per kilowatt-hour was found to be 2.0855 mills at 80-percent-load factor and 2.7806 mills at 60-percent-load factor. The over-all cost of St. Lawrence power delivered in New York City on this basis would be 4.8125 mills at 80-percent-load factor and 5.0833 mills at 60-percent-load factor.

Comparison with other studies suggests a considerable reduction in the cost of land assumed in this study. If, in addition, the underground transmission into New York City is eliminated, the following conclusions as to the cost of transmitting St. Lawrence power over a publicly owned transmission system appear to be conservative:

(1) St. Lawrence power can be transmitted to southern New York, a distance of approximately 300 miles, with allowance for transmission losses, approximately 2.2 mills at 60-percent-load factor and 1.6 mills at 80-percent-load factor.

(2) St. Lawrence power can be transmitted to the Utica area, a distance of 135 miles, with allowance for transmission losses, for approximately 0.97 mill at 60-percent-load factor and 0.73 mill at 80-percent-load factor.

On the basis of the above conclusions the total cost of St. Lawrence power delivered at the end of the 300-mile transmission line would be 4.20 mills at 60-percent-load factor and 3.13 mills at 80-percent-load factor. The corresponding figures for delivery in the Utica area would be 2.99 mills at 60-percent-load factor and 2.24 mills at 80-percent-load factor.

These calculations are based upon the assumption that the transmission system is used solely to carry St. Lawrence power. Actually, if it is combined with other generating stations, as suggested above, there will be a certain amount of relaying of power in both directions, tending to reduce the cost of transmission.

These figures indicate that St. Lawrence power can be made available within a wide area at so low a cost as to render its development an essential step in providing for the power requirements of the region. It is an economically sound project both in terms of providing for industrial development near the river and for base-load power in conjunction with other plants to a distance of 300 miles from the point of production.

St. Lawrence power market area

The first assurance of a ready market for St. Lawrence power lies in the fact that the area within transmission distance represents one of the most densely populated regions in the country. With an area of 114,835 square miles it contains a population of 24,260,277, representing approximately 20 percent of the entire population of the United States. The density of population is 213 per square mile as compared with 40.5 per square mile for the country as a whole.

The density of manufacturing activity in the St. Lawrence power area is also important as a basis for appraising the potential market for this power. The total value of manufactured products in the area in 1929 amounted to $19,614,432,741, representing 27.8 percent of the value produced by factories throughout the country.

This concentration of manufacturing activity means that the St. Lawrence project will have within transmission distance factories which in 1929 used more than 10,000,000 horsepower of primary energy in the form of electric, steam, and diesel power and expended $422,000,000 in a single year for this power.

In this connection it may be pointed out that all of the States in which there is high per capita manufacturing activity are so located as to benefit from the Great Lakes-St. Lawrence improvement either in its navigation or power aspects. These include New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania in the power zone, and Ohio, Indiana, Illinois, and Michigan in the seaway zone. Thus the industrial life of the country is so located as to create a cogent argument for the project, from both the power and the navigation angles.

These figures indicate, on the basis of existing population and industrial development, that the St. Lawrence power development is located near a natural market for power. The distribution of industrial activity in the region, however, is not desirable from either an economic or social viewpoint, being heavily concentrated in certain limited areas, especially in the neighborhood of Niagara Falls and in the New York metropolitan area. The proposed St. Lawrence power project will be so located as to remedy this unbalanced condition, tending to encourage industrial development in a part of the State which will secure from the development the advantages of cheap power and ocean shipping.

Generating capacity and power costs in the area

The enormous existing demand for power in the St. Lawrence power transmission area assures its ready absorption through the normal growth of that demand. According to the McGraw Central Station Directory for 1933 the New England and Middle Atlantic States have an electric power generating capacity of 14,831,630 horsepower. Of this total 3,219,237 horsepower is hydroelectric.

For New York State alone the report shows 6,149,931 installed horsepower of which 1,515,204 is generated by water power. Although a certain amount of this generating capacity is unquestionably obsolete or merely stand-by, the figures suggest that a 20-percent increase in the demand for electric power in New York State in the next 7 years would absorb St. Lawrence power. As will be subsequently shown, all trends indicate that the increase in demand will far exceed this.

The figures show, however, that available generating capacity in New York State is concentrated to a very large extent in the New York City and Niagara Falls extremities of the State. These two limited areas have today approximately 75 percent of the State's total generating capacity. This leaves an important region in the State as the natural market for the great bulk of St. Lawrence power.

The development of this region as an industrial market for power will bring with it increase in population, increase in general business activity, greater prosperity for the rural areas, and so will expand the general market for power.

The important generating plants in the State are now interconnected by transmission lines which form a network for the exchange of steam and water generated power. This makes it possible to use effectively the various types of generating facilities to supplement each other. The recent completion of the transmission line between Greenbush in Rensselaer County and the New York City area, completes the tie-up by including the steam plants of New York City.

The records of the New York Public Service Commission for 1930 show 3,665,182 electric customers of public utilities serving New York State alone. To meet the demands of these customers required the production of 11,453,645,139 kilowatt-hours of electrical energy and the purchase of enough additional outside of the State to bring the total to 12,794,287,250. Altogether the State accounted for approximately one seventh of the power used in the United States. An analysis has been prepared showing, for 1930, the generating costs for all power companies serving New York State, on the basis of a 7 percent return on the capital invested in the generating facilities. This required a careful allocation of capital items including organization, franchises, general equipment and other overheads, as well as of general expense items.

The results showed that direct operating expenses for steam-power production by the larger and more modern plants varied from 3.88 mills to 7.25 mills per kilowatt-hour. The average operating expense for all steam plants was 4.6984 mills, and this in-

cluded no allocated expenses or fixed charges. Including the additional expenses and a 7 percent return on the entire fixed capital properly assignable to the generation of power, the total cost of production for the larger stations varied from 8.11 mills to 12.9 mills. The average cost of steam generation in the State was 10.654 mills.

These figures indicate that St. Lawrence power could be economically substituted for much that is now generated by steam and that an economical plan for meeting this demand for additional generating capacity 10 years ahead must include the immediate initiation of the St. Lawrence power project.

Potential increase in market for power in St. Lawrence power area

An important consideration in any program designed to meet the power requirements of the Nation or any part of it is the time interval which will elapse between the initiation of the plans and the actual delivery of power from the project.

The blocks of power required to meet the increasing demands of a growing population, which at the same time is progressing industrially, are of such magnitude that the necessary provision of generating capacity cannot be met overnight. This is especially true if the people are to take advantage of such extraordinary resources of cheap hydroelectric power as the St. Lawrence.

For this reason it is necessary to examine past growth in demand with a view to determining as far as possible a definite trend.

There are a number of approaches to determining the probable market for St. Lawrence power in the area which it may be expected to serve in the decade, 1941–50. These all necessarily rest on faith that the business depression which began in 1929 and continued into 1933 will eventually be completely liquidated and that the economic well-being and growth of the country will be reestablished.

Some of the factors to be taken into account in such a forecast are:

(1) Growth of population. If the population continues to increase and the per capita use of electricity remains at approximately the present level, then the demand for power in the area will increase at about the rate of population increase.

(2) Increase in per capita use of electricity in the area. If the increase in consumption of power per capita of the population continues, then the demand for power in the area will increase at a rate representing the combination of the upward trends of population and per capita consumption.

(3) Increase in gross generation of power. This shows the results of the combined trend noted above.

(4) Increase in the proportion of homes wired for electricity, with especial reference to the development of rural electrification.

(5) Increase in the average use of electricity per annum in the homes.

(6) Plans of the electrical industry for extending the use of domestic and farm electrical appliances.

(7) Other trends tending to increase the per capita and total demand for electricity, such as substitution of purchased power for existing power plants in industrial establishments, railroad electrification, and development of electrochemical and electrometallurgical industries using large quantities of power.

Broadly speaking, it may be said that every one of these trends is upward and that the prospect is for a greater demand for power by 1940 and 1950 than the conservative estimates below will forecast.

Population growth in the United States as a whole has been analyzed by Thompson and Whelpton in their book, Population Trends in the United States. Based on an extensive analysis of vital statistics they project growth ahead, at a diminishing rate to 1980. Examination of the figures and curves for New York State indicates an almost exact correspondence with the rates of increase for the country as a whole.

Extension of the New York curve on this basis suggests a population increase of 2,150,000 or about 17 percent from 1930 to 1950. If the per capita use of electricity in the State remained static, this increase in population would create a new demand for about 2,500,000,000 kilowatt-hours.

The per capita use of mechanical power in the country, however, is steadily increasing, and with it has gone a continuing increase in the proportion of that power derived from central electric generation stations.

In New York State from 1920 annual production of electricity more than doubled, the per capita output rising from 667 kilowatt-hours to 1,163 kilowatt-hours per year. Although the depression brought a slight hesitation in the upward trend, 1933 figures show that it has been resumed.

A chart plotted to indicate the trend indicates a probable per capita production of electricity in New York State of 1,740 kilowatt-hours in 1940.

The assumption of a population of 13,840,000 in 1940 as forecast above and a per capita demand for 1,740 kilowatt-hours in the same year would require provision for generating 24,081,600,000 kilowatt-hours in the State in that year. This would mean an increase of nearly 10,000,000,000 kilowatt-hours over the previous high point, or about twice the estimated output of the proposed St. Lawrence power plants at 100-percent-load factor.

Electrification of the home

Probably the most important factor in the growth of the market for the electrical energy is the increasing use of electricity in homes. This is recognized by the industry itself and is being promoted as the best way of building a stable load.

The act of the New York Legislature creating the Power Authority of the State of New York to undertake the power project is specifically designed to secure the lowest possible rates for domestic and rural consumers in order to encourage the fuller use of electricity in the home and on the farm.

From 1920 to 1930 the number of residential lighting customers in the United States increased from 8,700,000 to 20,149,352. The steady upward trend in the number of residential customers in the States within the St. Lawrence power area corresponds with that in the country as a whole. In New England the number increased from 778,300 in 1920 to 2,234,947 in 1930, while in the Middle Atlantic States the increase was from 1,509,000 to 6,895,089.

The increase in the domestic market for electricity appears in the Edison Electric Institute compilation showing distribution of electrical energy by classes of consumers. From 1920 to 1932 the increase in residential use proceeded without interruption from 2,950,000,000 kilowatt-hours to 11,987,000,000 kilowatt-hours. Average annual use per customer increased from 339 kilowatt-hours in 1920 to 601 kilowatt-hours in 1932.

The present trend in average residential use suggests at least 841 kilowatt-hours per customer in 1940 and 1,103 per customer in 1950. But such a forecast takes no account of the possibility that material reductions in present domestic rate schedules are likely to occur with a resulting major stimulus to the use of electrical appliances. Such a change in the most important single factor affecting the trend would unquestionably cause domestic consumption to approach the average usage prevailing in Ontario.

It may be pointed out, however, that an increase in average domestic usage to 1,100 kilowatt-hours a year, coupled with an increase in the number of customers paralleling the increase in population, would more than double the present domestic market for electricity in New York State. It would mean an added demand for more than 1,800,000,000 kilowatt-hours per year.

Electrical appliances promise expanded market for power

The electrification of the home is becoming more and more a matter of expansion in the use of electrical appliances. The assurance that this trend will continue affords a secure foundation for predictions that the market for power by 1940 will not only easily absorb but will positively require St. Lawrence power.

In 1921 the residential use of electricity was still predominantly for lighting, and the amount of power consumed by appliances was negligible. By 1932, however, domestic electric appliances were consuming over 57 percent of the electric power sold to residential customers.

It is important to note that in spite of the serious depression the number of electric refrigerators increased from 1,860,000 to 4,220,000 in 2 years. As the electric refrigerator consumes an average of 600 kilowatt-hours a year, this increase of 2,360,000 meant an expansion of 1,460,000,000 kilowatt-hours in the demand for electric power. Similarly the expansion of 220,000 in the number of electric ranges meant a market for an additional 605,000,000 kilowatt-hours, so that the increase in the number of these two appliances alone meant a new demand for over 2 billion kilowatt-hours of electrical energy.

Rural electrification will provide added market

An important phase of the expansion of the residential market for electricity will unquestionably be the extension of rural electrification, involving both the connection of a larger proportion of farms with central electric stations and use of electricity to perform more functions of the farm and rural home.

Recent years have witnessed a steady increase in the number of farms in the St. Lawrence power zone which receive electric service. The figures show that from 1923 to 1932 in the New England and Middle Atlantic States the number of farms receiving electric service has increased by nearly 250 percent. But this increase in rural electrification does not mean that the limits of the farm market are even being approached.

The possibility of increasing the number of rural families receiving electric service in New York State has been investigated by the New York Public Service Commission. The study showed that:

(1) At least 60,000 of the 100,000 farmers not yet receiving electrical service deserved consideration as potential electric customers, even though there should be no change in the technic of the electrical industry or in the status of rural electrification.

(2) The ready adoption by farmers of such appliances as electric milk coolers, milking machines, incubators, etc., indicates that the farm consumption of electricity is increasing rapidly and will continue to do so if properly encouraged.

(3) Some New York farmers were already finding it profitable to use from 1,000 to 1,500 kilowatt-hours per month.

(4) If electrical service were brought to the remaining economic farm units in the State, and if all farms were equipped with such appliances as they could economically use, the annual electric consumption by the farms of the State would amount to at least 300,000,000 kilowatt-hours, an increase of nearly a quarter of a billion kilowatt-hours in this field of electrical usage alone.

Electrical industry forecasts growing market for power

The electrical industry has set as a goal for domestic consumption 1,000 kilowatt-hours per customer in 1936, according to a recent statement by the commercial director of the Edison Electric Institute. To accomplish this the industry expects to supplement the growing use of electric refrigeration with an active development of electric cooking and electric water heating.

On the basis of figures showing the extent of saturation in the appliance market, Mr. C. M. Ripley, electrical engineer of the General Electric Co., estimated, February 3, 1932, that there was

a potential market for appliances in the homes of the United States sufficient to increase domestic consumption of electricity by 48,000,000,000 kilowatt-hours.

The General Electric Co. has issued a number of documents on load building which describe in some detail the various new uses of electricity. One of these estimates that by the autumn of 1935 an additional 4,200,000 kilowatts of generating capacity will be required to meet the country's increased demand. It indicates the importance of anticipating the growth of load and of providing the necessary generating capacity to meet the requirements.

Another reflection of the electrical industry's anticipation of a growing market for electric power is to be found in a publication entitled "Load and Revenue Forecasting" authorized by the operating committee of the Edison Electric Institute in July 1933. Some of the conclusions as to future growth in demand for power may be quoted from this report, as follows:

"Energy consumption per customer will continue to increase, but at a somewhat faster rate, in all probability. This increase is very consistent through good times and bad, and admits of rather accurate forecast. The saturation point is not in sight, nor is it predictable. It has been pointed out that, at the present development of appliances, the possible consumption is 10,000 kilowatt-hours per customer (Electrical World, Jan. 7, 1933). Even this amount cannot be taken as the saturation point, because new applications of electricity in the home will raise this figure. * * *

"It is evident that there is an enormous expansion ahead of us. * * * It is evident that the domestic load will eventually assume enormous proportions in its demand on the distribution system."

These authoritative forecasts of the electrical industry itself, tending to support the conclusions derived from analysis of the trends in the production and consumption of electricity, present incontrovertible evidence that the market for St. Lawrence power will be ready before the project itself can be completed. Operating in accordance with the purpose laid down for it by the New York Legislature, its influence in the direction of lower domestic and rural rates will be a force tending to promote this expansion in the market for electricity.

Status of St. Lawrence power project under the laws of New York

The St. Lawrence power project of the State of New York is provided for in chapter 772 of the Laws of New York, approved by the Governor, April 27, 1931.

This act was the fruition of 25 years of effort to provide for development of St. Lawrence power by the State in the public interest. Licenses had been sought by private corporations for the right to exploit the power resources in the International Rapids section, but such applications were rejected by both State and Federal agencies.

Section 5 of the act specifically directed the power authority "to cooperate with the appropriate agencies and officials of the United States Government to the end that any project undertaken" by the trustee—

"shall be consistent with and in aid of the plans of the United States for the improvement of commerce and navigation along the St. Lawrence River, and shall be so planned and constructed as to be adaptable to the plans of the United States therefor, so that the necessary channels, locks, canals, and other navigational facilities may be constructed and installed by the United States in, through, and as part of the said project."

Section 5 directed the trustees to

"'develop, maintain, manage, and operate' the project and 'to make provision so that municipalities and other political subdivisions of the State * * * may secure a reasonable share of the power' 'subject to conditions which shall assure the resale of such power to domestic and rural consumers at the lowest possible price.'"

A formula was set up by this act to which any contracts made with private companies for transmission and distribution of current must conform. The act specifically provided for

(a) Full and complete disclosure to the power authority of all factors of cost in transmission and distribution of power, so that rates to consumers may be fixed initially in the contract and may be adjusted from time to time on the basis of true cost data.

(b) Periodic revisions of the service and rates to consumers on the basis of accurate cost data obtained by such accounting methods and systems as shall be approved by the trustees.

(c) That rates, services, and practices of the purchasing, transmitting, and distributing companies in respect to the power generated by this project shall be governed by the provisions and principles established in the contract, and not by the regulations of the Public Service Commission or by the general principles of public service law regulating rates, services, and practices.

Since the enactment of the law the trustees of the power authority have recommended additional legislation to permit municipalities which do not now enjoy that right under their charters to purchase St. Lawrence power for distribution to consumers.

In his message to the legislature, January 3, 1934, the Governor of New York made the following recommendation:

"I trust that during this session a definite conclusion will be reached by the Federal Government on the treaty with Canada for the development of the St. Lawrence River. The important thing is that power be developed as quickly as possible for the benefit of the consumers of electricity in this State.

"Pending the final settlement of this problem, I repeat the recommendation made to you last year, that you adopt legislation to permit municipalities of the State, after approval by a referendum vote, to purchase and sell electricity developed from the St. Lawrence River. Municipalities will in this way be able to buy cheap electricity, and at the same time be given a potent weapon with which to compel existing public-utility companies to provide them with electricity at reasonable rates."

The evident intent and effect of the laws of New York providing for the St. Lawrence power project has been the provision of a yardstick on electrical costs and rates for the benefit of the consumers of current and for the protection of the public against unfair charges.

The development of the St. Lawrence by a public agency represents the last opportunity available to provide the northeastern section of the United States with the benefits assured other sections through development of Muscle Shoals, Boulder Dam, the Columbia River, and similar public projects.

CONCLUSIONS

The studies independently made by the various agencies lead to the conclusion that the Great Lakes-St. Lawrence project for power and navigation should be undertaken without delay.

The navigation project is comparable in economic value and importance to the Panama Canal. It is combined with the development of the largest and cheapest block of hydroelectric power available in North America.

Undertaking of the project will provide employment on essential and self-liquidating public works during the immediate period of construction. Its completion will unquestionably confer important national benefits and stimulate the future growth and development of the United States.

RECESS

Mr. ROBINSON of Arkansas. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to, and (at 5 o'clock and 30 minutes p.m.) the Senate, in executive session, took a recess until tomorrow, Friday, January 12, 1934, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate January 11, 1934

ASSISTANT SECRETARIES OF STATE

R. Walton Moore to be Assistant Secretary of State.

Francis Bowes Sayre to be Assistant Secretary of State.

AMBASSADORS EXTRAORDINARY AND PLENIPOTENTARY

William Christian Bullitt to be Ambassador Extraordinary and Plenipotentiary to the Union of Soviet Socialist Republics.

Hal H. Sevier to be Ambassador Extraordinary and Plenipotentiary to Chile.

ENVOYS EXTRAORDINARY AND MINISTERS PLENIPOTENTIARY

Post Wheeler to be Envoy Extraordinary and Minister Plenipotentiary to Albania.

George H. Earle, 3d, to be Envoy Extraordinary and Minister Plenipotentiary to Austria.

Fay A. des Portes to be Envoy Extraordinary and Minister Plenipotentiary to Bolivia.

Frederick A. Sterling to be Envoy Extraordinary and Minister Plenipotentiary to Bulgaria.

Sheldon Whitehouse to be Envoy Extraordinary and Minister Plenipotentiary to Colombia.

Leo R. Sack to be Envoy Extraordinary and Minister Plenipotentiary to Costa Rica.

Bert Fish to be Envoy Extraordinary and Minister Plenipotentiary to Egypt.

John Van A. MacMurray to be Envoy Extraordinary and Minister Plenipotentiary to Estonia, Latvia, and Lithuania.

Edward Albright to be Envoy Extraordinary and Minister Plenipotentiary to Finland.

Matthew E. Hanna to be Envoy Extraordinary and Minister Plenipotentiary to Guatemala.

W. W. McDowell to be Envoy Extraordinary and Minister Plenipotentiary to the Irish Free State.

Grenville T. Emmet to be Envoy Extraordinary and Minister Plenipotentiary to the Netherlands.

Arthur Bliss Lane to be Envoy Extraordinary and Minister Plenipotentiary to Nicaragua.

Antonio C. Gonzalez to be Envoy Extraordinary and Minister Plenipotentiary to Panama.

Meredith Nicholson to be Envoy Extraordinary and Minister Plenipotentiary to Paraguay.

William H. Hornibrook to be Envoy Extraordinary and Minister Plenipotentiary to Persia.

James Marion Baker to be Envoy Extraordinary and Minister Plenipotentiary to Siam.

Charles S. Wilson to be Envoy Extraordinary and Minister Plenipotentiary to Yugoslavia.

SECRETARIES IN THE DIPLOMATIC SERVICE

Whitney Young
Robert F. Fernald
John C. Shillock, Jr.
James W. Gantenbein
Norris B. Chipman
John L. Bouchal
Bertel E. Kuniholm
Robert Y. Jarvis
Richard S. Huestis
W. Quincy Stanton
Stanley G. Slavens

CONSULS GENERAL

John G. Erhardt
O. Gaylord Marsh

CONSUL

Graham H. Kemper
John H. MacVeagh

FOREIGN SERVICE OFFICERS, CONSULS, AND SECRETARIES IN THE DIPLOMATIC SERVICE

A. Dana Hodgdon
Clayson W. Aldridge
Walton C. Ferris

FOREIGN SERVICE OFFICER, CLASS 1

Thomas M. Wilson

ASSISTANT TREASURER

Marion Glass Banister to be Assistant Treasurer.

ASSISTANT REGISTER OF THE TREASURY

Byrd Leavell to be Assistant Register of the Treasury.

SUPERINTENDENT OF THE MINT

Mark A. Skinner to be superintendent of the mint, Denver, Colo.

ASSAYER IN THE MINT

Bruce B. LaFollette to be assayer in the mint, Denver, Colo.

ASSAYER IN CHARGE OF THE MINT

Hugh T. Rippeto to be assayer in charge of the mint, New Orleans, La.

FIRST ASSISTANT POSTMASTER GENERAL

William W. Howes to be First Assistant Postmaster General.

SECOND ASSISTANT POSTMASTER GENERAL

Harllee Branch to be Second Assistant Postmaster General.

MEMBER OF THE FEDERAL TRADE COMMISSION

James M. Landis to be a member of the Federal Trade Commission.

MEMBERS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Walter J. Cummings to be a member, board of directors, Federal Deposit Insurance Corporation.

Elbert G. Bennett to be a member, board of directors, Federal Deposit Insurance Corporation.

MEMBERS OF THE FARM CREDIT ADMINISTRATION

Albert Simon Goss to be Land Bank Commissioner.

Francis Winfred Peck to be Cooperative Bank Commissioner.

SPECIAL DEPUTY COMMISSIONER OF INTERNAL REVENUE

Eldon P. King to be Special Deputy Commissioner of Internal Revenue.

COLLECTORS OF INTERNAL REVENUE

Carter H. Harrison to be collector, first district of Illinois.

Seldon R. Glenn to be collector, district of Kentucky.

Clinton A. Clauson to be collector, district of Maine.

Joseph P. Carney to be collector, district of Massachusetts.

Thomas J. Sheehan to be collector, first district of Missouri.

Dan M. Nee to be collector, sixth district of Missouri.

Peter M. Gagne to be collector, district of New Hampshire.

James J. Hoey to be collector, second district of New York.

Frank Scofield to be collector, first district of Texas.

Nathaniel B. Early, Jr., to be collector, district of Virginia.

COLLECTORS OF CUSTOMS SERVICE

Alfred A. Cohn to be collector of customs, district no. 27.

Raymond Miller to be collector of customs, district no. 47.

Howell Cone to be collector of customs, district no. 17.

John H. Dooley to be collector of customs, district no. 1.

Fountain Rothwell to be collector of customs, district no. 45.

Adrian Pool to be collector of customs, district no. 24.

I. Walke Truxtun to be collector of customs, district no. 14.

Margaret M. McQuilkin to be collector of customs, district no. 48.

COMPTROLLER OF CUSTOMS

Samuel T. Ladd to be comptroller of customs, district no. 4.

REGISTER OF LAND OFFICE

Jessie M. Gardner to be register, land office, Denver, Colo.

COMMISSIONERS OF THE DISTRICT OF COLUMBIA

George E. Allen
Melvin C. Hazen

PUBLIC HEALTH SERVICE

PROMOTIONS

Omar C. Hopkins to be passed assistant sanitary engineer.
Fortunat A. Troie to be surgeon.
Carl E. Rice to be surgeon.
Edward R. Marshall to be medical director.
Emil Krulish to be medical director.
Chapman H. Binford to be passed assistant surgeon.
John A. Trautman to be passed assistant surgeon.
Joseph A. Bell to be passed assistant surgeon.
Edward C. Rinck to be passed assistant surgeon.
Gordon A. Abbott to be passed assistant surgeon.
Sidney P. Cooper to be passed assistant surgeon.
George W. Bolin to be passed assistant surgeon.
Elmer T. Ceder to be passed assistant surgeon.
Waldemar C. Dreessen to be passed assistant surgeon.
Noka B. Hon to be passed assistant surgeon.
Otis L. Anderson to be passed assistant surgeon.
Claude D. Head, Jr., to be passed assistant surgeon.
Benjamin E. Holsendorf to be passed assistant pharmacist.
Lon Oliver Weldon to be senior surgeon.
Howard Franklin Smith to be senior surgeon.
James Gayley Townsend to be senior surgeon.
William Howard Slaughter to be senior surgeon.
Joseph Bolten to be senior surgeon.
LeGrand B. Byington to be surgeon.

HOUSE OF REPRESENTATIVES

THURSDAY, JANUARY 11, 1934

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Our merciful Heavenly Father, there are no shore lines where Thou art. Even the wings of the morning are not mighty enough to carry us beyond Thy sheltering providence; somewhere and everywhere in all this old world is Thy mothering heart; we praise Thee. We beseech Thy wisdom and grace to help us to be spiritual architects, building upon those foundations that never give way. O let the temples of our immortal souls rise higher and higher and without the sound of a hammer. Do Thou manifest Thyself in all our works and keep us in touch with the teeming daily human life which is always unfolding itself before our open eyes. Amen.

The Journal of the proceedings of yesterday was read and approved.

RULE FOR CONSIDERATION OF INDEPENDENT OFFICES APPROPRIATION BILL, 1935

Mr. BANKHEAD. Mr. Speaker, at the request of the Chairman of the Committee on Rules, the gentleman from